

3/15/78 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Schlesinger, et al., to Pres. Carter, 11 pp., re:Import fee report	3/15/78	A
Memo	Eizenstat & Watson to Pres. Carter, 14 pp., re:New chairman NAB	3/15/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File, 3/15/78 [1] Box 76

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THE PRESIDENT'S SCHEDULE

Wednesday - March 15, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

10:15 National Boy of the Year. (Ms. Midge Costanza).
(10 min.) The Oval Office.

10:30 Mr. Jody Powell - The Oval Office.

11:00 Ambassador John C. West. (Dr. Zbigniew Brzezinski).
(15 min.) The Oval Office.

12:30 Lunch with Mrs. Rosalynn Carter - The Oval Office.

1:35 University of Georgia Presentation. (Ms. Fran
(5 min.) Voorde) - The Oval Office.

2:00 Meeting with Secretary Patricia Harris et al.
(2 hrs.) (Mr. Stuart Eizenstat) - The Cabinet Room.

9:40 Depart South Grounds via Motorcade en route
Washington Hilton Hotel.

10:00 Drop-By Democratic Congressional Campaign Dinner.

THE WHITE HOUSE
WASHINGTON
March 15, 1978

Secretary Blumenthal

The attached was returned in the
President's outbox today and is
forwarded to you for your information.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Jim McIntyre
Charlie Schultze

RE: TAX CREDITS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

cc Blumenthal

ACTION	FYI	
✓		MONDALE
		COSTANZA
✓		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
✓		McINTYRE
✓		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE SECRETARY OF THE TREASURY
WASHINGTON

March 14, 1978

Mike
Good-
J
cc: Jim, Charlie, Stu

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tax Credits

You should be aware that the Treasury Department is under constant pressure, from other Departments and from the Congress, to carve all manner of new "tax credits" into the Internal Revenue Code. In recent days, proposals have been pressed upon us for tuition tax credits, Social Security tax credits, distressed area investment tax credits, every conceivable variety of energy tax credit, employment tax credits, and health insurance tax credits.

Each one of these is said to meet some urgent political necessity or to serve some overriding social purpose.

Whatever the merits of each individual proposal -- and the merits usually melt away under scrutiny -- there are three general considerations at stake here:

- Spinning new tax credits is an increasingly popular way to spend federal money without appearing to create new "programs" and without incurring the discipline of annual appropriations and associated congressional scrutiny.
- Credits are almost invariably a less cost efficient way than programmatic spending to attack the problems they were created to solve.
- Credits invariably generate great complexities in tax filing and administration and create fresh inequities in the distribution of the tax burden.

This pressure on all fronts for new tax credits runs directly counter to your goal of simplifying the Code and eliminating tax expenditures.

Accordingly, I am taking a strong position within the Government against all these new tax credit ideas. This is the only way for us at Treasury to prevent a wholesale erosion of your tax reform objectives. ←

Mike

W. Michael Blumenthal

1459

THE WHITE HOUSE
WASHINGTON

March 15, 1978

Bob Lipshutz

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

cc: Stu Eizenstat Rick Hutcheson
Hamilton Jordan
Jody Powell

RE: NORTH DAKOTA LAWSUIT INJUNCTION
ON TRANSMITTING WATER POLICY RECOMMENDA
TIONS TO YOU

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
✓		EIZENSTAT
✓		JORDAN
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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

March 14, 1978

*Bob Lipschutz -
I prefer to ignore
him - Consequences?
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
KATHY FLETCHER

Stu

SUBJECT:

North Dakota Lawsuit Injunction
on Transmitting Water Policy
Recommendations to You

As we indicated possible in our February 28 memorandum, a North Dakota judge has enjoined Secretary Andrus, Jim McIntyre and Charles Warren from transmitting to you the final water policy recommendations without preparation of an environmental impact statement.

The Justice Department considers the order ridiculous and expects it to be overturned. They are seeking expedited appeal, but even under the best of circumstances, some delay in transmittal beyond March 15 is inevitable.

There will probably be a hearing on Friday where Justice will seek a stay of the injunction or, alternatively, expedited handling of the appeal. The soonest the injunction might be lifted is Friday; more likely the expedited appeal will take about two weeks.

We will make good use of the extra time in perfecting the materials you receive.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

EYES ONLY

March 14, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*
Subject: Industrial Production in February

The Federal Reserve Board will release its estimate of industrial production in February, tomorrow (Wednesday, March 15), probably at 4:00 p.m. The news is only moderately good.

Industrial production rose by 0.5 percent in February. The revised January figure, however, now shows a decline of 0.9 percent, so that the January loss was not fully made up last month. Increases in February were widespread, but moderate -- leaving production in most lines below December 1977 levels.

There is some evidence that electric power curtailments associated with the coal strike adversely affected industrial output in February. Federal Reserve Board staff estimates that the increase in industrial production might have been 0.2 to 0.3 percentage point higher in the absence of electric power cutbacks.

During the last two months, very large changes have occurred in total hours worked in manufacturing -- a decline of 1.6 percent in January, followed by a rise of 1.5 percent in February. Early estimates of industrial production are based partly on these man-hour figures, and involve a considerable amount of judgment on the part of the Federal Reserve Board staff. It may be, therefore, that data coming in over the next couple of months will lead to significant revisions in the January-February changes in industrial output, but only time will tell.

9:00 AM

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

March 14, 1978

C
/

MEETING WITH SENATOR DENNIS DeCONCINI

Wednesday, March 15, 1978

9:00 a.m. (15 minutes)

The Oval Office

From: Frank Moore *F.M./BR*

I. PURPOSE

To discuss the Panama Canal Treaties.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Warren Christopher's last conversation with DeConcini was mildly positive, although the Senator made no commitments to support the Treaty. The Senator asked for 24 hours to think over his decision. It is not known what impact Senator Ford's probable negative decision on the Treaties will have on Senator DeConcini. We have come to substantial agreement with the Senator on both his conditions.

B. Participants: The President
Senator DeConcini

C. Press Plan: White House Photo

III. TALKING POINTS

1. You should point out to Senator DeConcini that the Treaties are in substantial trouble in the Senate and his vote is critical. Without Senator DeConcini, we cannot win. A direct personal appeal to the Senator will be needed. We are beyond the stage where detailed talking points for you on substantive provisions of the Treaties would be helpful.

9:40 PM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

DEMOCRATIC CONGRESSIONAL CAM-
PAIGN COMMITTEE FUNDRAISING
DINNER

Wednesday - March 15, 1978

Attire: Black Tie Optional

From: Tim Kraft

SEQUENCE

9:40 p.m.

You and Mrs. Carter board motorcade on South Grounds and depart en route Washington Hilton Hotel.

9:50 p.m.

Motorcade arrives Washington Hilton Hotel (Presidential Entrance).

PRESS POOL COVERAGE
CLOSED ARRIVAL

You and Mrs. Carter proceed to holding room.

9:52 p.m.

You and Mrs. Carter arrive holding room where you will be met by:

Ms. Rosemary Tomich, Dinner Co-Chairperson
Mr. Glenn Watts, President of the Communication Workers of America
and Dinner Co-Chairperson
Mr. Patrick O'Connor, Dinner Co-Chairperson

PERSONAL TIME: 5 minutes

NOTE: The Vice President will be speaking at this time.

9:56 p.m.

Mrs. Carter, escorted by Senator Howard Metzenbaum, proceeds to her seat at Senator Robert Byrd's table.

2.

9:57 p.m. You, escorted by Ms. Tomich, Mr. Watts,
and Mr. O'Connor, depart holding room
en route announcement area.

9:58 p.m. You arrive offstage announcement area
and pause.

9:59 p.m. Remarks by Vice President Mondale
conclude.

Announcement.

You proceed to International Ballroom
stage and take your seat.

OPEN PRESS COVERAGE
ATTENDANCE: 2,000

10:00 p.m. Introduction of you by Vice
President.

10:01 p.m. PRESIDENTIAL REMARKS.

FULL PRESS COVERAGE.

10:11 p.m. Remarks conclude.

You thank your hosts and depart International
Ballroom stage en route motorcade for boarding.

10:11 p.m. Mrs. Carter will be escorted
to join you en route motorcade
for boarding.

10:16 p.m. Motorcade departs Washington Hilton Hotel
en route South Grounds.

10:26 p.m. Motorcade arrives South Grounds.

#

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 15, 1978

C
/

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

Fm.

JIM FREE

SUBJECT:

Natural Gas Conference

At 3:15 p.m. today, the Democratic members of the House Conference have asked to meet with Sen. Jackson and any Senators he may choose to bring to assess the so-called "Jackson compromise." Sen. Jackson apparently will bring Sen. Bumpers to the meeting to help explain the plan.

The Democratic members of the House Conference are now split into three camps:

- Rep. Ashley along with Reps. Rogers, Staggers, and Sharp compose what would be called the "power brokers." They clearly see the political risks of not having an energy bill and want to work with Sen. Jackson.
- The next group led by Reps. Dingell and Eckhardt could be called the "perfecters." They want to take the Jackson compromise and make major changes in mainly the incremental price aspects of the bill. They also disagree with the phased deregulation at a date certain.
- Rep. Toby Moffett leads a third group of House Members not on the Conference. He has seen no way to support anything since the Johnston compromise before Christmas.

The 3:15 p.m. meeting is to give Sen. Jackson a chance to further explain his proposal, giving the reasons for the different sections and stating which Senators want which proposals. This will be the House members' first opportunity to question Sen. Jackson, and they will be able to assess the compromise together.

~~THE PRESIDENT HAS SEEN.~~

THE WHITE HOUSE

WASHINGTON

March 14, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS, ^{JLF} RICK HERTZBERG ^{RH}

SUBJECT: Democratic Congressional Campaign Dinner

1. Names. The important names to mention are Speaker O'Neill, Majority Leader Byrd, and the chairmen of the House and Senate campaign committees, Congressman Jim Corman and Senator Wendell Ford.

2. Order of events. Ford, Corman, Byrd, O'Neill, and the Vice President will all have spoken briefly before you. You will be introduced by the Vice President.

3. Content. All concerned agree that your talk to this dinner last year -- which was about 60 percent humor -- was a smash. They are hoping for more of the same, although, since this is an election year, the balance should perhaps be shifted toward slightly more of a political pitch and an aggressive listing of achievements. Accordingly, I've attached both jokes and rhetoric.

*Electrostatic Copy Made
for Preservation Purposes* *1/2 Panama Canal*
Russell Long *Republ. Foreign policy - Disaster
continuity*

JOKES FOR CONGRESSIONAL DINNER

1. When I came up to Washington I told everybody I wanted to get away from the old political tradition of the smoke-filled room. Unfortunately, the only person who took me seriously was Joe Califano.
2. If any of my friends here from the Senate are wondering what to give up for Lent, perhaps I could make a suggestion? The Panama Canal?
3. Your colleagues across the aisle have accused me of being partisan in this Marston business, but that's ridiculous. What other Democratic President would help a Republican run for Governor?
4. No, my administration is deeply committed to creating job opportunities in our large urban areas. That's the real reason we had to let Mr. Marston go.
5. I knew we were in deep trouble on the coal strike thing when Cy Vance told me the Cubans had offered to help us deal with the guerrillas in West Virginia Province.
6. Thank God the coal business seems to be over. I got tired of Jody coming in every morning and telling me it was still the pits.

7. I'm sort of amused by all this one-term President talk in the papers. Actually, what we're really worried about is the restrictive terms of the 22nd Amendment. Have you noticed this new book about cloning...?

#

Panama - meet Senator

ADDITIONAL JOKES FOR CONGRESSIONAL DINNER

X 1. I've been impressed by the willingness of Congress to face up to tough issues that have been too long neglected. Just yesterday, for example, the House voted to legalize home brewing....

2. Tough questions occasionally reach the White House, too. For instance, the whole question of linkage. Many people claim that there should be a definite linkage between our State Department and the NSC Others prefer the status quo.

3. Personally, I think linkage might be a good idea. Last week, Cy Vance was telling me that the Cubans had offered to send us troops to help with the unrest in our coal fields... And Zbig called a few minutes later to suggest it might be a good time to invade the Bay of Pigs, now that the Cuban army was away in Africa.

4. Zbig's advice is generally good, though. He was the man who advised me to sell jets to both sides in the coals strike.

5. I got a telegram the other day that said "Stick to your guns, Mr. President. Keep on doing your job just the way you have been." I was pleased about that, of course -- till I noticed it was signed Jerry Brown.

6. The papers seem to think Governor Brown has his eye on the White House. Apparently he feels the Governor's Mansion in Sacramento isn't big enough not to hold him.

7. I try to keep my faith a private matter, but this year in office has convinced me more than ever that there is a force which is always there to listen, to act as a moral compass for me in my darkest moments, and to help me pick the right path from the wrong. Different people, in different parts of the world, have different names for this force. I call it Evans and Novak.

8. I'm the first Southerner since before the Civil War to attain the power of the Presidency -- or at least that's what I thought till I got up here and met Russell Long.

9. Jody tells me we're on pretty solid ground in this Hamilton thing. Apparently Hamilton wasn't even in the bar at all -- although the fellow was certainly his spitting image.

10. One of the toughest problems we face in the East is the gulf of bitterness and hatred that divides the New York Times from the Washington Post. I understand Ben Bradlee was so pleased with himself over stealing the Haldeman book from the Times that they're calling him "Deep Gloat."

11. I'm pleased to see such a big crowd here. At least we Democrats don't have the problem of loneliness. Imagine being one of the 12 Republican governors. The GOP Governor's Association is the only nationwide group in America that can hold its annual convention in a jury box.

12. I've been giving Hamilton more and more responsibility in foreign affairs, and he's been catching on very fast. Considering that only last year he thought the Panama Canal locks were something you ate with bagels.

#

MORE CONGRESSIONAL DINNER JOKES

1. Irish-Americans have played a prominent role in our public life. During the Kennedy years, for example, there was Pat Moynihan. During the Johnson years, there was Pat Moynihan. During the Nixon years, there was Pat Moynihan. In fact, I think he's still around town somewhere.
2. I'm not Irish myself, but a lot of people have described my Administration as extremely green.
3. Just about everybody in my Administration has some Irish in them. Even Andy Young -- at least he acts like it.
4. I once took Hamilton with me on a trip to Ireland. But I'd like to deny the rumor that he got amarillo and cream all over the Blarney Stone.

#

JOKES FOR SAVANNAH

1. (Senator Nunn will have said that your're dropping by Savannah on your way to take a last look at the Panama Canal. Thus:) Actually it's not true I'm going down for a last look at the Canal. Under the divorce agreement, I have visitation rights.

X 2. Last year Bishop Fulton Sheen spoke to the Hibernian Club. This year the speaker's committee thought they'd go from the sublime to the ridiculous -- but Hamilton had another engagement.

3. I asked one of my staffers, a Yankee, what I could say on St. Patrick's Day in Savannah, and he suggested I might make a little joke about Sherman driving the snakes out of the South. Actually, he's a former staffer.

4. Apparently, where he went to school, they didn't teach him that Sherman's big Christmas present to the South was not burning Savannah.

5. Most of you know that Toby Buttimer is the reason I'm here. I've always felt very close to Toby. He's a wholesale beer distributor, as you know, and my brother is a wholesale consumer.

6. I'm told the Hibernian Club hasn't admitted a new member since 1954. If the White House were that exclusive, Dwight Eisenhower would still be President.

7. On the way in somebody asked me how we celebrated St. Patrick's Day in Washington. I told him my whole administration was green.

8. I've always believed my family originally came over from Ireland, as I understand one or two of yours did. But several genealogists say I'm descended from British Royal family -- by way of several horsethieves. Most days I don't know which side of my ancestry to claim, but this isn't one of those days. The original Carters came over in the late 18th century, to escape the peanut famine in Ireland.

9. I don't know if any of you noticed this attractive tie I'm wearing (assuming you're wearing a green tie). I picked it out because it wouldn't show the soup stains. (Or wine, or whatever. Something liquid is bound to be dyed green.) Jody's original idea was for me to dye me teeth green, but I thought that would set a poor example. No little boy in America would ever brush his teeth again.

10. On the way in, Toby asked me if I knew how come the Irish had all the potatoes and the Arabs wound up with all the oil. Toby claims it's because the Irish

got to pick first.

11. He told me another thing I didn't know, too. He told me what a Savannah Irishman's seven-course dinner was. A six-pack of beer and a moon pie.

(We'll send more during the day as we come up with them).

THE WHITE HOUSE
WASHINGTON

FOR THE RECORD:

Memo was given directly to Tim who set up meeting. President then gave memo to Stu who returned it to us on 3/21/78.

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Tim - Set up
mtg - 2:15 pm

J

March 15, 1978

(Return to me)

MEMORANDUM FOR THE PRESIDENT

From: W. Michael Blumenthal *WMB*
Charlie Schultze *CLS*

Subject: Price Prospects and Anti-Inflation Initiatives

Earlier this week the CEA sent you a background memorandum on inflation. At the Cabinet meeting on March 6, Secretary Blumenthal stressed that the inflation situation is worsening. This memorandum outlines our present expectations for prices in 1978 and sets forth a series of policy options for invigorating the anti-inflation program.

The specific policy options outlined below have not yet been cleared with all EPG members, but the general ideas expressed in this memorandum were discussed at a recent EPG meeting. We would, therefore, want to get together with you as soon as possible to discuss the inflation problem and what should be done about it.

Recent Price Developments

The price outlook is deteriorating. Weather influences contributed to some of the sharp rise in consumer food prices in January. But a more fundamental worsening of the outlook also appears to be underway.

In preparing for the Budget and Economic Message this year, the interagency forecasting team balanced two offsetting developments:

- o An acceleration in the underlying rate of inflation based mainly on higher payroll costs due to
 - (i) increased employer social security taxes,
 - and (ii) higher minimum wages.
- o An expected slower growth in farm and food prices.

The underlying rate of inflation was expected to be in the 6-1/2 to 6-3/4 percent range, but with food prices rising moderately, the overall consumer price index was forecast to rise by 6 to 6-1/4 percent, fourth quarter 1977 to fourth quarter 1978.

Since these estimates were put together, a number of developments have all moved in the direction of increasing the prospective rate of inflation.

- o Food prices will probably rise more than forecast. Whereas the forecast had included a rise in the food component of the CPI of about 4-1/2 percent (QIV to QIV), we would now expect an increase of around 5-1/2 percent, or possibly more. This would add about 0.2 percentage point to the overall price increase in 1978.
- o The forecast made no allowance for the price effects in 1978 of depreciation of the dollar. Allowance for this might result in a rise of prices of about half of 1 percent by the end of the year, assuming no further depreciation.
- o Average hourly earnings are creeping up. They are now rising at about one-half percent faster than a year ago. Moreover, the higher wage costs in the coal settlement, as they carry forward into industrial and residential utility rates and steel production costs, would add to overall prices. Unit labor costs will rise somewhat more than expected.
- o The forecast had incorporated the National Energy Plan, which would have yielded a 0.2 percent rise in overall prices as a result of the crude oil equalization tax. The likely compromise on natural gas deregulation may increase energy prices somewhat more, but how much is not clear at this time.

Overall, it appears that consumer prices might rise about 1 percent more than had been expected, bringing the increase in the CPI during 1978 to the 7 to 7-1/4 percent range.

There is considerable risk that prices may rise even faster than this. For example, the new estimate does not assume any OPEC price increase in response to the changing value of the dollar, nor does it assume further adverse weather conditions here or abroad, nor a marked acceleration in unit labor costs, nor ripple effects of the coal settlement on other wage negotiations.

Consequences

Rising inflation and inflationary expectations are already working on financial markets, domestic and international. They are contributing to the continued weakness of the dollar and the stock market.

Inflation would, by now, have been reflected more strongly in interest rates, were it not for the relatively calm behavior of the monetary aggregates in recent weeks. As it is, the rise in market interest rates has already begun to reduce savings inflows to thrift institutions, and the thrifts have begun to trim new mortgage lending commitments.

A continued rapid rise in prices will convince market participants that monetary tightening is in prospect, whatever the course of the monetary aggregates. This conviction could push interest rates up further, even without Fed action. Moreover, it is doubtful that the Fed would resist reinforcing the market's response in the event of further price acceleration.

In sum, absent other convincing anti-inflation programs, the classic resolution of the inflation problem is likely to take the form of tightening financial markets, even with the Federal Reserve lagging rather than leading the market.

Anti-Inflation Initiatives

In light of these price developments and potential consequences, we believe that it is imperative that you act decisively to focus greater attention on the anti-inflation program. We recommend an announcement of a series of actions that would demonstrate your concern and commitment to achieving progress against inflation. It is important that these actions go beyond exhortation; they must have a direct impact on prices and wages.

- o The deceleration program will not be credible unless the government acts within its own areas of responsibility to initiate a deceleration.
- o A voluntary restraint program cannot be effective unless it has your visible support and backup by all Cabinet-level officers.
- o It is necessary that developments in the coal situation do not set a pattern for future wage and price behavior.

I. Immediate Action

We propose that the following items be the basis for a Presidential announcement on inflation, perhaps at the opening of a press conference.

1. You could announce that the Federal government will assure that there is a significant deceleration in the magnitude of Federal pay increases.

-- The 1976 increase was 5 percent; the 1977 increase was 7 percent.

-- Federal employees have not been impacted by the recent large increase in social security taxes. Deceleration would therefore not be a major burden on them.

-- Federal wage rate adjustments are believed to have a substantial impact on local labor markets.

-- This action would be well received by the public, but may anger Federal workers and could reduce their support for Civil Service reform.

2. You could ask state and local government officials to follow the lead of the Federal government with respect to wage rate increases, and to cooperate further by reducing sales and property taxes where possible.

-- These government actions on wages would have a strong impact on nonunion wage increases throughout the economy.

-- They will probably upset organized labor.

*Size of
tax reduction
Shortfall*

3. You could request the support of public utility commissions and the independent regulatory agencies in the deceleration objective.
 - This may irritate a few members of Congress who object to Executive Branch involvement with the independent agencies.
 - It may lengthen the regulatory delay on rate adjustments.
4. You could announce that your Executive Order on Improving Government Regulation will be issued the following day.
 - This program has been delayed for three months, but is ready if your approval were given.
 - It would be received very positively by the business community.
 - At the same time, you could announce that you are meeting personally with the heads of the executive regulatory agencies to impress on them the importance of assuring that new regulations are necessary and that they are cost-effective.
5. You could emphasize the importance of moderating increases in hospital costs and ask the Congress to act immediately on your hospital cost containment and capital budgeting program.
6. You could instruct Federal procurement officers to avoid or delay purchase of those goods whose prices are rising rapidly.
 - Such a directive is not unprecedented, but care would have to be taken to avoid conflict with other objectives of procurement policies.
7. You could direct your advisors and heads of the affected agencies to develop a program, and report back to you within a month, for an early resolution of Federal policies toward wilderness areas, to expand the lumber supply from Federal lands. Lumber prices have been a very rapidly rising component of housing costs (17.9 percent in the last year).

- While this would be a controversial action with environmentalists, it is believed that an expansion of timber harvest from Federal lands could be achieved without damaging environmental or other multiple-use objectives.
 - Any public announcement should be preceded by consultation with Secretary Bergland.
8. You could follow up these actions by calling separate meetings with businessmen and labor leaders to ask them to reduce the rate of their price and wage rate increases, including increases in "highly visible" executive pay.
- This would emphasize the deceleration principle at the level of individual decisions in the private sector.
 - Cabinet-level officials and CWPS staff could follow up with meetings with individual firms, large employers and labor union leaders.

II. Future Administration Decisions

If you decide to press the anti-inflation program, inflation concerns will be a major issue in several future decisions. Thus, it is important that you be aware of the implications of highlighting the inflation issue.

Farm Legislation

Any future actions to respond to the farm strike by raising price supports, reducing production, or restricting imports will have an immediate impact on prices.

National Health Insurance

The financing and cost incentive aspects of any proposal could have major inflationary implications.

Welfare Reform

The Administration is under pressure to raise the wage rate for public service jobs. This will impact on the lower range of local wage scales.

Trade Restrictions

- Currently, requests are before the ITC or STR for trade restrictions on copper, CB radios, zinc, and special steel products.
- The steel industry has pushed for an upward revision of the steel reference prices.
- The MTN trade negotiations have major price implications as domestic industries push for exemption from tariff reductions.

Regulatory Actions

The Administration will be making decisions on regulatory actions and legislation during 1978 with very significant potential for cost and price increases.

Social Security Legislation

A number of proposals are coming up in the Congress to restructure social security financing in order to mitigate the tax increases recently enacted. Some would have anti-inflationary benefits; others would not. The relation of reductions in social security taxation to the objectives of the tax reduction and reform program have to be considered carefully.

III. Actions in Specific Sectors

We are in the process of developing a specific list of economic sectors in which we will concentrate our efforts over the next year to reduce inflationary pressures. Interagency task forces would be established to examine alternative strategies for altering price-cost behavior in those industries where we feel that government participation can make a difference. These areas would include the primary metals industries, transportation, medical care, housing and insurance. We could implement our prior plans to meet with individual firms and unions to emphasize the deceleration objectives and to monitor their performance.

- o We could examine the merits of Administration support for no fault insurance.

THE WHITE HOUSE
WASHINGTON
March 15, 1978

Bob Lipshutz

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

MARSTON - EILBERG

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
/		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 13, 1978

ok
C
/

MEMORANDUM FOR THE PRESIDENT

FROM:

Bob Lipshutz *RL*

SUBJECT:

FBI Investigation of the Marston-
Eilberg Matter

After receiving your notation on March 13 concerning this matter, we rechecked the "log" and found that the original information was in error.

In fact, your conversation with Congressman Eilberg on November 4 lasted only approximately 2 minutes. Please note the change on this schedule of telephone calls with Pennsylvania Congressmen during this period of time. Also, please note the three items following the November phone call which were not on the summary given to you by Frank Moore and Bill Cable. Apparently they had no record of these particular calls. I assume that the information which I have added is correct, but would appreciate your refreshing your memory concerning these last three items.

If this now is accurate and complete, I will go ahead and arrange for the FBI agents to come in and review these phone calls with you, upon your approval of the time to do so. I urge that this matter be concluded before you take your foreign trip later this month.

THE WHITE HOUSE

WASHINGTON

March 8, 1978

TO: FRANK MOORE

FROM: BILL CABLE

SUBJECT: Congressional Calls With The President

To date, I have been able to determine the subject of the following conversations between the President and the listed Members of Congress.

June 7	call to John Dent	7 min. 8:23 to 8:30 pm	Wished the Cong. a speedy recovery after his eye operation.
June 28	call to Marc Marks	12 min. 2:56 to 3:08 pm	Discussed an Energy Committee vote re: deregulation.
June 29	call to Marc Marks	14 min. 5:33 to 5:47 pm	Thanked for his help on Energy.
Aug. 3	call to Dan Flood	1 min. 3:26 to	These calls occurred during a Pa. Caucus meeting just prior to the energy vote in the House. "We have 16 votes for de reg, Mr. P.")
		3:27 pm	
Aug. 3.	call from Dan Flood	1 min. 4:13 to 4:14 pm	
Aug. 4	call to Doug Walgren	1 min. 4:51 to 4:52 pm	Discussed the plowback vote.
Aug. 31	call to Robert Nix	2 min. 3:25 to 3:27 pm	Discussed the AWAC vote in the HIRC.
Nov. 4	call from Josh Eilberg	2:57 pm.	Pres. in meeting. No contact.
Nov. 4	return call to Eilberg	5:13 pm.	Eilberg out. No contact.
Nov. 4	call from Eilberg	2 min. 5:58 pm. 6:00 pm.	Discussed Philly politics.
Nov. 6	call from Robert Nix (from Atlanta)	11:21 pm.	No contact
Nov. 7	call to Judge Bell (car telephone)	7 min. 3:19 pm. 3:26 pm.	Discussed call from Eilberg
Nov. 7	President returning call to Judge Bell	3 min. 3:43 pm. 3:46 pm.	Discussed this matter

THE WHITE HOUSE
WASHINGTON

March 15, 1978

Secretary Califano

The attached was returned in the President's outbox and is forwarded to you for appropriate handling.

Rick Hutcheson

PROPOSED DRUG LEGISLATION

bcc: The Vice President
Stu Eizenstat
Frank Moore
Jody Powell
Jim McIntyre
Peter Bourne

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

cc Callahan of his memo

ACTION	FYI	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	MONDALE
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
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<input type="checkbox"/>	ARAGON
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<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

MAR 11 1978

To Joe - I will
support - You #
Congress announce -
J.C.

MEMORANDUM FOR THE PRESIDENT

FROM

JOE CALIFANO *guc*

SUBJECT: Proposed Drug Legislation

I recommend you send our proposed drug law reform to the Hill with a strong Presidential message. A draft message has been sent to Stu Eizenstat and Peter Bourne.

Presidential support will be indispensable to our ability to push this major Administration proposal -- which reforms a critically important area of public health -- through the Congress promptly, possibly by the end of this session.

Within the government, we have consulted closely with DPS, OMB, Peter Bourne and other interested Departments. There is a broad consensus on the proposal which is, in significant respects, the product of years of work by Senator Kennedy and Congressman Rogers.

This memorandum briefly summarizes the proposal.

The Problem.

The proposed bill responds to the increasingly serious problems caused by an outdated law that was enacted in 1938. It completely restructures the process by which drugs are licensed for marketing in the United States.

- The Food and Drug Administration (FDA) currently struggles with six different classes of drugs -- each largely the result of historical accident -- with different standards and procedures applying to different classes.
- Today, drug applications to market new drugs average 34 volumes, take years to process, and cost millions of dollars to complete. Manufacturers of generic drugs must go through this expensive process even though the drug they seek to produce has been found safe and effective many times before.

- FDA's current regulatory process is secretive: FDA's files on test results are closed to the public, and no public hearing is required before the FDA approves the drug.
- Once a drug is approved, it is unclear, as a matter of law, how much authority FDA has to provide consumers with information about safety and effectiveness and to monitor the safety of a drug when it is on the market.

The Proposal in Brief

Our proposal would produce dramatic changes. The entire licensing process would become far more flexible. Regulatory requirements early in the process would be eased to promote research and innovation, while FDA's authority to ensure the safety of drugs on the market would be dramatically strengthened. The public would have greater access to the information on which FDA was basing its decision.

The tempo of the licensing process would be speeded up markedly with FDA required to make decisions within specified time periods. Barriers to competition would be greatly reduced, and consumers would be fully informed about generic equivalents to brand name drugs and about each drug's risks and benefits.

At the heart of the new licensing process is a "monograph" system of drug regulation. This system will focus on licensing drug entities, rather than repetitiously relicensing chemically identical drug products that differ only in their brand names. The monograph will establish the basic conditions under which a drug could be marketed, and a single standard will apply to all drugs.

After a five year period that rewards the "pioneer" manufacturer for its research, additional manufacturers need only show they can meet quality control.

Highlights

- (1) Simpler and less burdensome early regulation to encourage research and innovation.

Our proposal divides the FDA's regulation of the early phases of drug research into two stages: an "innovational" stage and a developmental" stage.

The "innovational" phase will sharply reduce FDA's role to assuring only the safety of the very limited number of human subjects usually involved. Only when a company moves to the developmental stage (involving exposure of several thousand patients) will FDA become more deeply involved.

(2) Early licensing for "break-through" drugs.

Primarily at the urging of Congressman Rogers, the new drug law will permit early "provisional" licensing for drugs that appear to represent major medical advances and are intended for use in treating extremely serious illnesses or injuries.

Full proof of safety would still be required, but drugs could be rushed onto the market before completing the often lengthy tests to confirm the drug's effectiveness. This provision could apply primarily to drugs already used in other countries and should silence many of the complaints about a "drug lag" in this country.

(3) Public participation.

The proposed bill will both dramatically increase the public's access to the data on which FDA bases drug approval including public hearings before approving any drug. These provisions represent a sharp break with past practice and are the most controversial aspects of the legislation:

- A summary of the results of the manufacturers' research to prove that a drug is safe and effective would be made public as soon as the company applies for FDA approval;
- All research results will be made public 90 days before the public hearing.

(4) Substantially increased consumer information.

The bill requires that substantial additional information be made available to consumers -- both to encourage use of generic drugs as well as to provide information on proper use of the drug itself:

- "Patient package inserts" must generally be provided to all drug purchasers that describe, in lay language, the conditions for which the drug has been shown to be safe and effective.
- A drug's generic name must appear on the package in at least the same size type as the brand name.
- FDA will be able to give each drug a simple generic name.
- FDA will publish a Federal Drug Compendium that will provide physicians a full listing of all drugs (including generic drugs) in a manner most usable for physicians.

The bill also restricts drug manufacturers from giving gifts to health professionals and from engaging in other questionable advertising practices.

(5) Closer scrutiny of drugs on the market.

The bill greatly strengthens FDA's ability to monitor a drug's safety record after it has been approved for marketing. To assure safe use of particular drugs, FDA can:

- require that a drug be prescribed only by certain specialists, or in particular institutions;
- require that a drug manufacturer establish a special system to collect data on the use of a particular drug in order to verify its safety;
- require a drug manufacturer to carry out needed experiments or investigations to assess the adverse reactions to a particular drug.

Striking the proper balance among competing interests has been difficult. Our decisions have been discussed thoroughly with all affected interests and with Congressional leaders. This bill represents a major turning point in our regulation

of prescription and over-the-counter drugs in this country, and it will be a symbol of your commitment to simplify, streamline, open up, and make more responsive the processes of government.

THE WHITE HOUSE

WASHINGTON

March 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
PETER BOURNE *P.B.*

SUBJECT: PROPOSED DRUG LEGISLATION

The legislation is basically a Food and Drug Administration draft with appropriate modification to accommodate previous Bills of Senators Kennedy, Williams, Nelson and Javits and Congressman Rogers. These modifications have resulted in a Congressional coalition which will introduce the bill.

The Bill is intended to facilitate both exploratory research, and development of innovative drugs. It would provide public access to safety and effectiveness data as well as mandate more information being provided to consumers. Additionally, it would allow the FDA to react more quickly than is now possible to remove a drug from the market when it becomes evident that a severe health hazard exists. The Bill also establishes a National Institute of Clinical Pharmacology.

The Bill is a major step in the right direction of revamping a hodge-podge of disconnected regulations.

Opponents of the Bill will charge that it is in direct opposition to your promises, in that it; will increase the bureaucracy and governmental expenditures with the establishment of the National Institute of Clinical Pharmacology (which they maintain will compete with private industry); will slow down the introduction of new drug products because of the significant new authority in several stages of the approval process given to the Secretary of H.E.W. and; will result in the discouragement of domestic drug research and drive the research overseas because proprietary information would be prematurely released to the public and competitors. They will make a strong argument that this new regulatory authority would be a major intrusion by the federal government into the professional activities of medicine and pharmacy, impair the rights of the scientific community to function without government obstruction, and substantially increase the cost of both government and industry operations.

H.E.W. feels that any major changes in the current language at this juncture will jeopardize the Congressional coalition - a point with which we agree.

The Bill is the best which could be negotiated, given the existing constraints. The continuing dialogue as it passes through the legislative process will result in a much needed drug law reform, acceptable to all interests.

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
PETER BOURNE
SUBJECT: PROPOSED DRUG LEGISLATION

Secretary Califano has asked that you announce the Bill at a White House briefing and deliver a message to the Congress. We believe that you should not personally announce the legislation.

- . Drug Law Reform was designated at the Secretarial rather than Presidential Level on the legislative agenda which you approved.
- . Tim Kraft feels that the schedule precludes your involvement.
- . Jody Powell suggests that the unveiling should be done at a briefing at H.E.W.
- . If this Bill was fully supported by all relevant interest groups we might urge your involvement even though it is not at the Presidential Level on the legislative agenda, however it will be strongly opposed by industry and professional groups.

Normally we would suggest that you release a message at the same time that Secretary Califano announces the legislation at H.E.W. This message could recognize and reinforce the Congressional cooperation in drafting this legislation. However, Frank Moore feels strongly that there should be no Presidential involvement in anything controversial during "Panama Week" and has asked that there be no Presidential message. We defer to Frank's judgement on this matter. We will continue to work with Jim Fallows on a message in case you feel otherwise.

PGB:ss

ID 784350

T H E W H I T E H O U S E

WASHINGTON

DATE: 13 MAR 78

FOR ACTION: STU EIZENSTAT *attached*

FRANK MOORE (LES FRANCIS) *attached*

JODY POWELL

JACK WATSON - *N, C*

PETER BOURNE *attached*

INFO ONLY: THE VICE PRESIDENT

JIM MCINTYRE

SUBJECT: CALIFANO MEMO RE PROPOSED DRUG LEGISLATION

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM WEDNESDAY 15 MAR 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
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<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

CONGRESSIONAL LIAISON:

SUBJECT: Califano Memo re Proposed Drug Legislation

CL recommends AGAINST a Presidential message to accompany this. This is NOT a Presidential priority as determined by our agenda process. To do a message would send confusing signals to the Hill. This legislation should be introduced and promoted at the SECRETARIAL level.

Final point -- With Panama hanging in the balance, we do not need to alienate even ONE Senator.

WATSON - N.C.

WASHINGTON

DATE: 13 MAR 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

PETER BOURNE

INFO ONLY: THE VICE PRESIDENT

JIM MCINTYRE

SUBJECT: CALIFANO MEMO RE PROPOSED DRUG LEGISLATION

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM WEDNESDAY 15 MAR 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Joint memo from Stu and Peter attached

MEMORANDUM

DO NOT REPRODUCE THIS COPY

THE WHITE HOUSE

WASHINGTON

1

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ.*
DATE: MARCH 15, 1978
SUBJECT: YOUR REMARKS TONIGHT

You should be very careful about any partisan remarks which you might make tonight when you drop by the Congressional Dinner. There is always the chance that remarks made in jest could be misconstrued in the media tomorrow and affect the treaty vote.

THE WHITE HOUSE
WASHINGTON

March 15, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 15, 1978
12:55 p.m.

done
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

F.M./pd.

*Ford
Cannon*

Senator Russell Long just made a great speech on the Senate floor in support of the treaty. I recommend that you give him a quick call to thank him. He can be reached at the Democratic Cloak Room - 224-4691.

3:05 -- Frank asked that you also call Brooke to thank him for same thing.

FOR PRESIDENT AND SON

Frank
See me
Thurs am
J

THE WHITE HOUSE

WASHINGTON

March 15, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

f.m/pd

I received a telephone call from Senator Howard Baker today asking for some time with you tomorrow. I told him I would try to work it out. He was calling on behalf of himself and Congresswoman Marilyn Lloyd both of whom want to meet with you on the Clinch River Breeder Reactor. We would, of course, also include Jim Sasser and would notify him first of the meeting.

This meeting would wrap-up the House part of the Reactor. I have not yet notified any of the participants of the time of the meeting (We have secured 15 minutes of your time at 11:00 a.m. tomorrow, if you approve the meeting.)

APPROVE _____

DISAPPROVE _____

THE WHITE HOUSE
WASHINGTON

Susan,

he's chopping
by the dinner
tonight - I think
it's worth showing
to him - (all the
he probably won't
call)

MEMORANDUM

THE PRESIDENT'S OFFICE

THE WHITE HOUSE

WASHINGTON

March 13, 1978

done
J

TO: ~~TIM KRAFT~~
FROM: LES FRANCIS

The President
LES

Wednesday, March 15, is Lew Wasserman's birthday. And, although he will not be attending the Congressional Dinner that night, he has purchased five (5) tables (5 tables x \$5000 = \$25,000).

Congressman Corman has asked if the President might call Mr. Wasserman sometime on Wednesday and extend personal birthday greetings. The phone numbers are:

OFFICE: (213) 985-4321 (Noon to 8:00 PM our time)

HOME: (213) 271-0882 (After 8:00 PM our time)

In view of Mr. Wasserman's continuing efforts on behalf of the President and the Democratic Party, I think such a call is in order.

Coincidentally, you might want to let the President know that Wednesday is the birthday of two other notables who will be attending the dinner:

- Patrick O'Connor, Co-Chairman of the Dinner
- Mrs. Viola Buono, Mother of Rosemary Tomich,
Co-Chairwoman of the Dinner

THE WHITE HOUSE

WASHINGTON

March 15, 1978

①
/

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*
SUBJECT: COAL STRIKE STATUS REPORT

Preliminary reports from the Mine Safety & Health Administration indicate that on Tuesday, March 14, 1978, 7 UMW and 78 other mines opened and produced coal for the first time since the strike began. The total output from these 85 additional mines was approximately 26,100 tons. The cumulative number of newly opened mines as of Tuesday, March 14, was 8 UMW mines and 215 non-union mines. These mines employ a total of 4,133 workers.

Nationwide, a total of 2,048 mines, including 27 UMW mines (most of them in the West), produced an estimated 1,233,600 tons of bituminous coal and lignite on March 14. The previous day's figures were 1,799 mines, including 23 UMW mines, producing 1,233,100 tons of coal.

The increase in openings and production justifies a measure of cautious optimism, especially since the new mine openings, union and non-union, are in the following States:

Kentucky	17
Ohio	36
Pennsylvania	12
Virginia	11
West Virginia	<u>9</u>
	<u>85</u>

The Departments of Energy and Transportation are working closely with the Association of American Railroads and the ICC to obtain additional unit trains and power for the TVA and Public Service of Indiana. As of March 14, 1978, there are 6 generating plants in the TVA that have less than 30 days' supply of coal.

cc: Landon Butler Frank Moore
 Stuart Eizenstat Jody Powell
 Hamilton Jordan Charlie Schultze
 Bob Lipshutz

Attachment - Coal Strike Incident Report/Justice Department



UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE DEPUTY ATTORNEY GENERAL
WASHINGTON, D.C. 20530

For
Tuesday
March 14, 1978

COAL STRIKE INCIDENT
HIGHLIGHTS

There was no change on Tuesday in the almost universal refusal of striking mine workers to return to work. Monday's pattern continued - non-union mines were generally producing and new non-union mine openings were reported, union mines opened but usually without workers, and non-union coal moved without major interruption.

There was an increase in disruption, violence, and apparent TRO picketing violations in several states.

PENNSYLVANIA

- Caravans of roving strikers were active in an effort to ensure that mines remained closed in several counties. State Police monitored the convoys and there were no reports of violence.
 - A caravan of approximately 150 vehicles with 400 to 500 miners traveled from mine to mine in Somerset County to make sure mines were closed.
 - Thirty to forty carloads of roving pickets were active in Cambria, Clarion, and Armstrong Counties.
- Seventy-five stationary pickets appeared during the day at the Syonauce Coal Company located south of Rockwood in Somerset County.
- At about 2:00 p.m. a train crew loading coal at the Cooney Brothers Mine in Cambria County, was stopped by three men who boarded the locomotive and verbally abused and physically threatened the crew. After the men departed the train loading continued with local security.

KENTUCKY

- Twenty-four union miners who had worked on Monday showed up at a small local mine this morning, but after discussions with the owner about threats received by both miners and management, it was decided to close the mine for the day.

WEST VIRGINIA

- Between 7 and 8:00 a.m. on March 14, 1978, a large group of United Mine Worker pickets blocked all access roads to the Albright Power Station, Albright, West Virginia. State Police moved in, asking the pickets to move. Pickets refused and four were arrested for obstructing the flow of traffic. During the incident, nails were reportedly thrown on the road, the gate to the power station was blocked, and two coal truck windows were smashed.
- A major union mine in McDowell County was picketed by 30 to 35 masked pickets at the 7:00 - 8:15 a.m. shift change on Tuesday. Six potential workers showed up, but did not cross the picket line.

ALABAMA

- Five union miners who had returned to work at the union Blackjack mines in Tuscaloosa County, were fired upon by eleven people driving by in one automobile and two pickup trucks. A total of five or six shots were fired, but there were no injuries. Four of the individuals in the vehicles have been positively identified and the FBI is investigating.
- The Blackjack No. 1 was also the site of picketing during the morning hours. Helicopter observations indicated that four pickup trucks were blocking the road to the mine and Alabama State Troopers responded.
- An attempted sabotage of the Southern Railroad line between Sheffield and Birmingham was discovered. A coal train was to use the track Tuesday in hauling coal from Pride, Alabama, to a Georgia Power Generating plant at Wansley, GA. Angle bars and spikes were removed from both rails on a 20 foot section of track having a 7° turn. FBI is investigating.

- Union officials reported telephone threats.

ILLINOIS, INDIANA, OHIO, MARYLAND, VIRGINIA, AND TENNESSEE

- These states report no union mines operating, no picketing, and no incidents. Non-union coal production and transport continues.

KANSAS

- Pickets appeared at the P & M Coal Company in Central Kansas and fifty of seventy-one miners who had reported for work departed.

For additional information, please contact the Emergency Programs Center, 739-2364. A statistical update is attached.

Attachment

1:35 PM

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Meeting with
University of Georgia delegation
Wednesday, March 15
1:35 p.m.
The Oval Office
(5 minutes)

(by: Fran Veebe)

I. PURPOSE: to present a leatherbound volume
of A History of Georgia.

II. BACKGROUND, PARTICIPANTS, PRESS:

A. Background: This is a project of
the University of Georgia
History Dept., and published
by the University of Georgia Press.

The President wrote a Foreward
to the book.

Dean Rusk was instrumental in
requesting the presentation time.

B. Participants: Frederick C. Davison,
President of the University

Ralph Stephens, Director of
University of Georgia Press

Professor Numan Bartley, Jr.
Professor Francis Boney
Professor Kenneth Coleman
Professor William Holmes
Professor Billups Spalding
Professor Charles Wynes

The Professors co-authored the book.

C. Press: White House Photographer.

THE WHITE HOUSE
WASHINGTON
March 15, 1978

Charlie Schultze

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

cc: Stu Eizenstat
Jim McIntyre

Sec. Blumenthal has been
provided with a copy

THE WHITE HOUSE
WASHINGTON

March 15, 1978

Secretary Blumenthal

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: BACKGROUND ON INFLATION

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

cc Blumenthal

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
/		McINTYRE
/		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 14, 1978

Charlie
Very good.

J
cc Mike
cc Stu, Tim

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*
SUBJECT: Background on Inflation

Developments of the past 4 or 5 months have led to some worsening of the outlook for inflation in 1978, as I indicated to you orally about a week ago. The time is growing short for action to improve the chances that the anti-inflation program announced in January will show some results this year. Your economic advisers are therefore preparing a list of steps that might be taken. A memo will come to you within the next several days on the worsened outlook for inflation in 1978 and on options to implement the anti-inflation program. This paper is designed to provide you with some broad background on the nature of the current inflation problem.

What Starts a New Inflation?

The forces that initiate an increase in the rate of inflation fall into two broad categories:

- o The classic problem of inflation arises from excess aggregate demand. When unemployment and unused plant capacity are large, fairly rapid increases in the demand for goods and services (on the part of consumers, businessmen, and governments) result mainly in putting idle labor and capital resources back to work. But once the nation is producing at its "potential," further large increases in demand give rise to inflationary pressures. Labor markets are tight, and the attempt by business firms to continue large-scale hiring leads to accelerated wage increases. Strains on industrial capacity add to costs, which can easily be passed on. Shortages develop. With the demand for goods and services outrunning productive capacity, business firms find they can raise prices to increase their profit margins, without fear that competitors with capacity to spare will undercut them.

- o A variety of supply shocks, such as food shortages or an OPEC oil price boost, may also increase costs and prices and give rise to an acceleration of inflation. The impact of supply shocks on the inflation rate will be greatest in periods of high employment, when it is easier for business firms to pass on the higher costs and for labor to raise wages in order to keep up with the cost-of-living. But supply shocks will tend to push up prices even in periods of substantial economic slack.

The recent inflationary period has its distant origins in the inflationary means used to finance the Vietnam War. From 1965 through 1969, the economy was operating continuously with real output above the nation's productive potential (see Chart 1). Unemployment during this period stayed below 4 percent, and was as low as 3-1/2 percent in late 1968 and early 1969. The result was a classic case of excess demand inflation. Increases in wage rates and prices both began to move up in late 1965 and continued to rise over the next three years (Table 1). By 1969, consumer prices were rising at around 6 percent a year, compared with 2 percent in 1965. Average wage rates, which were increasing at around 3-1/2 percent a year in 1965, were rising at a 6-1/2 percent rate by 1969.

Table 1

Changes in Wage Rates and Prices,
December to December

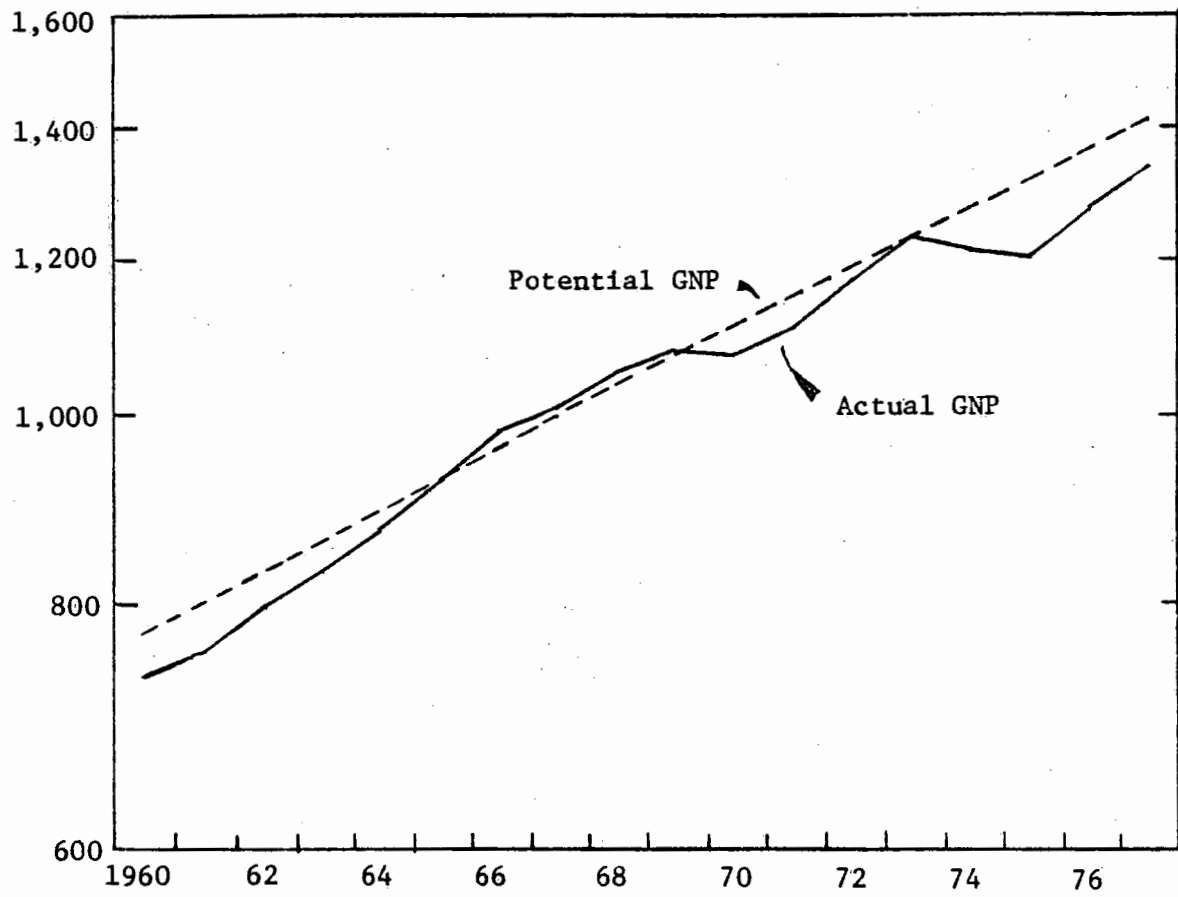
(Percent)

	<u>Average Hourly Earnings</u>	<u>Consumer Prices</u>
1965	3.4	1.9
1966	4.9	3.4
1967	5.3	3.0
1968	6.8	4.7
1969	6.5	6.1
1970	6.7	5.5

Chart 1

Actual and Potential GNP.

Billions of 1972 Dollars (Ratio Scale)



Excess demand also was a contributing factor to a renewed heating up of inflation in 1973. The rate of inflation had moderated substantially during the latter half of 1971 and 1972, when mandatory price and wage controls were in effect. In 1972, however, both monetary and fiscal policies were highly expansive, and real output grew strongly. By 1973, real GNP reached its potential level (Chart 1) and the unemployment rate was down to around 4-3/4 percent. As the controls on wages and prices were relaxed during the course of 1973, inflationary pressures intensified.

A larger part of the 1973-74 acceleration of inflation, however, stemmed from supply shocks. The special factors that influenced prices in those two years were of unprecedented severity for a peace time period.

- o Retail food prices rose more than 30 percent in two years, largely as a consequence of poor world-wide harvests of major grain crops.
- o The OPEC oil price increase drove up energy prices paid by consumers 40 percent in two years.
- o An economic boom in all industrial countries simultaneously created major scarcities of critical industrial materials.
- o The fall of almost 15 percent in the value of the dollar in exchange markets from mid-1971 to mid-1973 on a bilateral trade-weighted basis raised import prices substantially.
- o The phasing out and removal of wage and price controls in late 1973 and early 1974 led to an explosion of industrial commodity prices at the wholesale level.

What Perpetuates Inflation, Once Started?

Removal of the initiating forces of inflation does not, unfortunately, mean that inflation comes to an end. Once underway, an inflationary process becomes deeply embedded in the structure of wage, cost, and price increases, and develops a momentum of its own. Unwinding from a prolonged inflation is extremely difficult.

If the rate of wage increases tapered off quickly as unemployment rose, and if business firms' pricing policies reflected the state of product markets, inflation could be quickly brought under control. A short period of slow growth, with moderate increases in unemployment and idle capacity and a weakening of markets for business sales, would rapidly halt inflation.

Unfortunately, in modern economies, the behavior of prices, and especially wages, is not very sensitive to modest and short-lived periods of economic slack. Once an inflation has been underway for awhile, workers and employers behave as if it will continue. Wages increase in response to past price increases and in the expectation that future inflation will make it possible to pass on the higher wages into higher prices. The pattern is only modestly influenced by the existence of high unemployment and excess capacity. It therefore is very difficult to use the traditional tools of monetary and fiscal policy to bring inflation to a halt once it has begun in earnest.

Recent experience in two recessions illustrates the problem. In 1969, both monetary and fiscal policies moved sharply toward restraint in an effort to break the back of the excess demand inflation of 1965-69. The shift in monetary policy was particularly harsh. The annual growth rate of M_1 dropped from 8 percent in the second half of 1968 to less than 3 percent in the last half of 1969. Interest rates skyrocketed, and sources of housing finance dried up. The result was a recession that began late in 1969 and continued throughout 1970. Unemployment rose from 3-1/2 percent to 6 percent.

Elimination of the excess demand, however, had no effect on the rate of inflation. The rise in the CPI did slow temporarily, due to a decline in mortgage interest rates, but the underlying forces pushing up costs and prices were not affected. Wage rates continued to rise as fast in 1970 as they had in 1969 (Table 1).

The failure of wage and price increases to moderate during 1970 occasioned widespread surprise and commentary. The Nixon Administration, you may remember, advocated a policy of gradualism in dealing with inflation -- in the expectation that prices and wages would eventually respond to high unemployment and excess capacity. In the summer of 1971, this expectation was abandoned, and wage and price controls were imposed.

Experience since 1974 has been similar. During the first half of 1975, the rate of inflation did moderate substantially from the hectic pace of the previous two years. By around mid-year 1975, price increases were down to the 6 to 6-1/2 percent range. The recession of 1974-75 was much more severe than the recession of 1970, and it did have some tempering influence on wage and price behavior. But the moderation of inflation in early 1975 stemmed mainly from the termination of the special factors pushing up prices and wages in 1973-74. The late 1973 OPEC oil price increase had largely worked its way through the economic system; food supplies improved; the worldwide commodity boom ended; and catch-up increases in prices and wages after the removal of controls came to an end.

Since mid-1975, the economy has been operating with a substantial degree of slack. Excess capacity in manufacturing has been widespread -- the rate of capacity utilization has yet to rise above 83 percent. And the unemployment rate has only recently declined to below 6-1/2 percent. But, apart from erratic movements in fuel and food prices, the inflation rate has stubbornly persisted at a 6 to 6-1/2 percent rate.

Until very recently, there has been little or no evidence that inflationary pressures were accelerating, but neither has there been evidence of a slowing of wage and price increases. Since the middle of 1975, total compensation (wages plus fringes) per hour worked in the nonfarm business sector has been rising at an annual rate of about 8-1/2 percent (Table 2). The long-term trend of productivity gains is now around 2 percent. The long-term trend of unit labor costs since mid-1975 has thus been rising at about a 6-1/2 percent rate, and this has determined the underlying trend of consumer prices.

8 1/2
- 2

6 1/2

The continuation of inflation in the range of 6 to 6-1/2 percent since mid-1975, it should be noted, is not due to the size of the Federal deficit. And it is not due to excessive increases in supplies of money and credit. Monetary and fiscal policies do have an important bearing on prices, but that effect is indirect -- that is, they affected prices by changing the balance between aggregate demand and supply. If monetary and fiscal policies since 1975 had been less expansive, aggregate demand would have

Table 2
Costs and Prices
Annual Rate of Change
(Percent)

	Compensation per hour private nonfarm sector	Trend of unit labor costs <u>1/</u>	Consumer prices, excluding food and fuel
1975 2nd half	6.6	4.6	6.1
1976 1st half	9.8	7.8	7.0
2nd half	8.5	6.5	6.1
1977 1st half	9.6	7.6	6.7
2nd half	7.5	5.5	5.9
Mid-1975 through year-end 1977	8.4	6.4	6.4

1/ Based on 2 percent trend of productivity.

grown more slowly. Perhaps some modest decline in the inflation rate would have occurred had unemployment been kept at a 7 or 7-1/2 percent rate. The principal result, however, would have been to constrain the growth of output and employment rather than to reduce the rate of inflation. Inflation has continued at around a 6 to 6-1/2 percent rate not because aggregate demand has grown too rapidly, but because the momentum of inflation is so strong.

Why is the Momentum Strong?

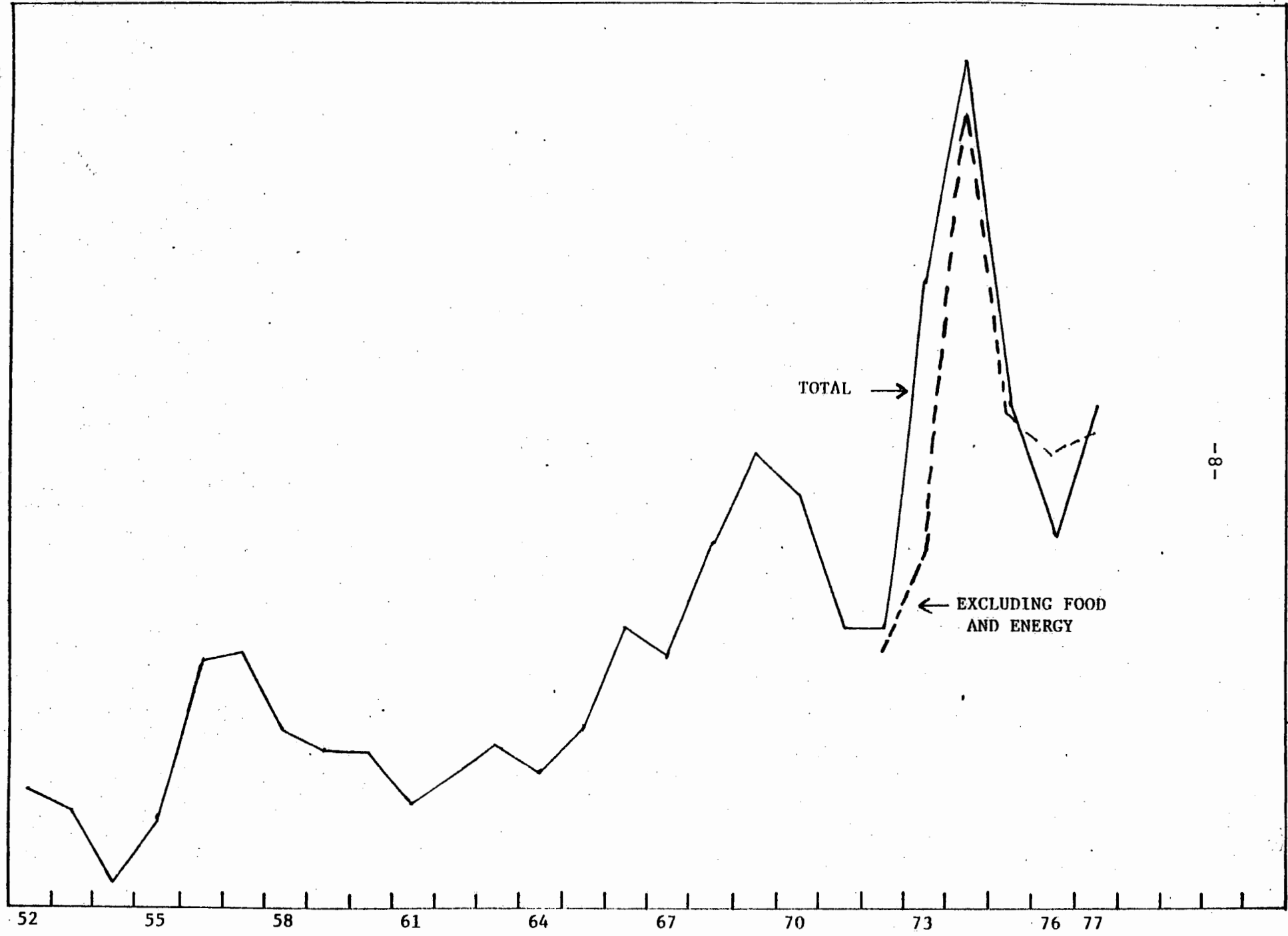
Many years ago, price and wage increases could be counted on to moderate significantly in response to slack in labor and product markets. That is no longer the case. Prices and wages are relatively inflexible in a downward direction, so that economic slack no longer leads to a significant moderation of inflation.

The result is that each new bout of inflation tends to set a higher floor under the average rate of rise in wages and prices. Each new round of inflation starts from a higher base, and the rate of inflation tends to drift upward over long periods of time (Chart 2).

Changes in Consumer Prices

Percent

Percent



The factors that lead to downward inflexibility of wages and prices are many and varied. For example:

- o Price competition is limited in many sectors of the economy. Competition tends to focus on other strategies than pricing, such as advertising and variations in services.
- o Wage rate settlements in heavily unionized industries are notoriously unresponsive to changes in the rate of unemployment. In 1977, for example, the steel industry was in great difficulty and imports were growing rapidly; but the contract signed with the steel workers gave wage and fringe benefit gains averaging about 9-1/2 percent a year for three years, even though productivity has been rising only about 1-1/4 percent per year in the industry.
- o Union wage contracts are typically signed for 3-year periods and the majority contain formal escalator clauses. The ongoing rate of wage change thus depends heavily on prior conditions in labor markets and on the current rate of inflation, rather than on the balance between demand and supply for labor. Moreover, the size of contracts signed by one major union often tends to influence contracts signed by others. One union leader can't be seen as "weaker" than another.
- o Many firms in nonunionized industries pursue long-range wage policies designed to maintain a stable labor force. Hence, they do not take advantage of a temporary surplus of job applicants to reduce wage increases significantly.

There is some evidence that the unresponsiveness of wages and prices to economic slack may have become worse during the postwar period. Table 3 shows wage and price developments during postwar business cycles. Deceleration of wages and prices -- particularly of wages -- has been less and less evident in each succeeding economic contraction. The table exaggerates the problem, since there were strong outside forces pushing up prices and wages prior to the 1948-49 recession and again during the recent recession.

Table 3

Cycle	Average hourly earnings index, manufacturing ^{1/}			Consumer price index			Unemployment rate, wage and salary workers in manufacturing		
	At cyclical peak	2 quar- ters after recession trough	Change	At cyclical peak	2 quar- ters after recession trough	Change	At cyclical peak	2 quar- ters after recession trough	Change
	Percent change from 4 quarters earlier						4-quarter average		
1948-49	9.1	1.9	-7.2	4.5	-0.6	-5.1	4.2	8.2	4.0
1953-54	5.8	2.4	-3.4	.9	-.6	-1.5	2.8	7.1	4.2
1957-58	5.0	3.6	-1.4	3.5	1.9	-1.6	4.6	9.3	4.7
1960-61	3.1	2.6	-.5	1.8	1.2	-.6	5.8	8.0	2.2
1969-70	6.0	6.8	.8	5.8	4.4	-1.4	3.3	6.7	3.4
1973-75	6.6	9.5	2.9	8.4	8.7	.3	4.3	10.4	6.1

^{1/} Adjusted for overtime and interindustry shifts.

Source: Department of Labor, Bureau of Labor Statistics.

But some reduction in the degree of downward flexibility of wages and prices -- particularly wages -- evidently has occurred.

The reasons for this reduced downward flexibility of wages and prices are not clear, but several factors may be involved.

- o Formal escalator clauses in union wage contracts have become much more widespread.
- o Expectations of continued inflation have also become more widespread. This may have stiffened the resistance of workers to accept smaller wage increases, even during periods of high unemployment, while weakening the reluctance of business firms to negotiate contracts that will require price increases.
- o Better protection against income losses during recessions -- because of more liberal unemployment insurance benefits and other income-maintenance programs -- may have blunted the effects of high unemployment on wage rates. Unemployed workers, with better income protection, are not so prone to accept work paying less than they earned in their last job.
- o Employment in government, nonprofit establishments, and regulated industries (utilities, communications, and commercial transportation) has grown as a proportion of total employment. Wage rate determination in those sectors is affected relatively little by the overall rate of unemployment.

From time to time, proposals have been set forth to deal with the problem of inflation by reducing the sources of wage and price inflexibility. Such proposals typically involve massive change in the structure of economic institutions -- breaking up labor unions, repealing the Davis-Bacon Act, abolishing the minimum wage law, breaking up large firms, and so on. Whether such steps would actually succeed in reducing wage and price inflexibility is a controversial issue. What is not controversial is the fact that radical steps in this direction are far beyond the boundaries of political

feasibility. Government actions to deal with inflation must accept the existing degree of wage and price inflexibility as a difficult fact of life.

Long-Range Prospects for Inflation

Unless we can find ways to unwind from the 6 to 6-1/2 percent inflation that is the legacy of the past, the outlook for inflation over the longer run is not good.

- o Government actions (payroll taxes, an energy program, steps to achieve environmental and safety objectives) are adding to costs, and will continue to do so. With a major effort we can moderate some of these effects, but cost-raising actions will undoubtedly continue.
- o Supply shocks that we cannot now foresee are much more likely to increase costs and prices than to reduce them.
- o As we regain high levels of employment and production, the risks will increase that tightening labor and product markets will result in an acceleration of wage and price increases. In recent years, nonunion wages have grown substantially less than union wages; as unemployment is reduced, some catch-up can be expected.

How much room we have to reduce unemployment and excess capacity further before wages and prices begin to respond to a tightening of markets is particularly difficult to assess.

The overall capacity utilization rate in manufacturing is still relatively low -- about 83 percent. If our economic forecast for 1978 and 1979 is realized, this rate will rise to a range of 87 to 88 percent by late 1979. Capacity constraints are not likely to become a serious source of price pressures during this period, however, in part because of the availability of ample capacity abroad. There will be a longer-range capacity problem if business investment does not rise strongly over the next few years, but that problem is likely to be encountered in 1980 and beyond.

As we move toward lower rates of unemployment, increasing labor market tightness will, at some point or other, lead to an acceleration in the rate of advance in wages. We cannot be sure at what point that will happen. A decade ago, wages did not begin moving up until the unemployment rate fell to around 4 percent or so. But changes in the demographic characteristics of the labor force -- in particular, the increased proportion of the work force consisting of teenagers -- and other factors have raised considerably the rate of unemployment consistent with a stable rate of wage increase. The availability of more generous unemployment insurance, and such income supports as food stamps, may have raised the level of unemployment at which wage increases begin to accelerate. (As explained earlier, workers can be more choosy about the jobs and wages they will accept.) In 1973, wage rates began to accelerate when the unemployment rate was around 5 percent. Extensive studies done by CEA staff and by academic economists yield a wide range of estimates of what the critical unemployment rate might be at the present time. It is probably in the general neighborhood of 5-1/2 percent, but we cannot be sure where the critical point is.

Effective and well-targeted programs to reduce structural unemployment -- especially among minorities -- can reduce the overall unemployment level at which inflation begins to accelerate. To the extent that such policies can direct hiring by business and government toward those groups who suffer from very high unemployment rates -- rather than toward groups already in short supply -- upward wage and price pressures would be eased. The private employment initiative now being developed is our attempt to do this. But we cannot be sure how effective it will be.

There is some evidence -- tentative and as yet inconclusive -- that a small acceleration in wage rates is already underway. A year ago, increases in average hourly earnings (excluding fringes) were running at an annual rate of around 7 percent. Now the rate of increase appears to be about 7-1/2 percent.

Forthcoming Memo

Shortly you will be receiving a memo from your economic advisers which

- o revises the inflation outlook for 1978

- o suggests some specific steps that might be taken by the Federal Government, both to deal directly with the inflation problem and to give greater credibility to our voluntary program for decelerating inflation in the private sector.

THE WHITE HOUSE
WASHINGTON

Base line. Jan 77
Present/plans for future
Specific responsibilities for
Admin. Cong. St-Loc. Prior
Policy & manage/plan
Target central city areas
Minority - bank business partner
Time schedule?
Crime

THE WHITE HOUSE

WASHINGTON

March 14, 1978

Meeting With Patricia Roberts Harris

Wednesday, March 15, 1978

2:00 p.m.

Cabinet Room

FROM: STU EIZENSTAT



I. PURPOSE

Initial briefing on urban policy.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

Last March, you established the Cabinet-level Urban and Regional Policy Group, chaired by Secretary Harris. You asked that group to review existing urban programs, establish a comprehensive urban policy, and recommend associated program changes and new initiatives.

Last December, following a preliminary review during the budget process, you requested that this effort strongly emphasize an intensive review of existing programs. In January, you approved a tentative list of principles to guide the review of existing programs and new initiatives. A slight reformulation and consolidation of those principles follows:

- The urban policy must be a partnership involving Federal, State and local governments, the private sector, neighborhood groups and voluntary organizations.
- The urban policy must be sufficiently flexible to respond to the diverse needs of the Nation's cities and communities.

- The urban policy should increase the access to opportunities for minorities and other disadvantaged citizens.
- The urban policy should improve the performance of existing Federal programs by coordinating or consolidating programs, simplifying planning procedures, reducing Federal paperwork, reorienting resources, and making Federal actions supportive of the urban policy effort.
- The urban policy should respond to the needs of all communities while recognizing that some communities will require strategic targeting of selected Federal resources.
- The urban policy should leverage significant commitments of resources from the private sector.

(While this formulation differs slightly from Secretary Harris' presentation, there are no substantial differences between us.)

A detailed decision memorandum involving principles, policies, review of base programs and new initiatives will reach you early next week after Agency circulation. Announcement is now scheduled for March 27.

The memorandum will address a large number of new initiatives, because of the intensive interagency nature of the urban policy process. Our recommendations to you, however, will be sharply targeted, with most new funding (above specific initiatives already contained in your Budget) focused on private sector economic development.

B. Participants: Secretary Harris, Jim McIntyre, Stu Eizenstat and key staff.

C. Press Plan: No press.

III. MAJOR ISSUES

Secretary Harris' briefing probably will focus primarily on broad policy goals and changes in the existing programs. However, you should be aware of the key issues for your decision.

1. Locus of Economic Development.

There is agreement that an important thrust of your policy and the new initiatives should be private sector economic development. This policy thrust involves the creation of a new National Development Bank, the expansion of existing grant/loan programs (principally Urban Development Action Grants administered by HUD and Economic Development Administration programs administered by Commerce) and, possibly, a targeted tax incentive.

There is substantial disagreement about which agency should administer these new initiatives. Location of the Bank has become a symbol of "lead agency" status in the area of urban economic development. Both agencies are seeking jurisdiction over the Bank and both Secretary Harris and Secretary Kreps feel very deeply on this issue.

I strongly recommend that you give no indication of your preference on this matter until you have received the decision memorandum, my comments and the recommendations of OMB's Reorganization Project.

2. New Spending

Your Administration has taken a number of important steps to increase aid to local governments. These include:

- Increasing CDBG by \$2.7 billion over 3 years.
- Establishing a new Urban Development Action Grant program of \$1.2 billion over 3 years.
- Providing \$6.6 billion in additional employment and training funds (FY 1979 over Ford FY 1977).
- Strengthening and extending the countercyclical revenue sharing program.
- Adopting a \$4 billion 2-year program of local public works.
- Increasing aid to elementary and secondary education by \$2 billion or 33% between 1977 and 1979.

While my impression is that mayors and other city officials are now beginning to recognize that we already have done a great deal, some additional assistance is needed both for substantive reasons and because the absence of visible new funding will guarantee an adverse response from the urban constituencies.

While I am not yet prepared to make final recommendations to you, I would guess that up to \$5 billion in new budget authority (with a much smaller outlay and deficit impact in the near term) might be a ballpark figure.

There are other major pressures on the budget -- farmers, social security, veterans -- but some additional funding is important substantively and symbolically.

3. Organization.

It is impossible to review federal urban programs without recognizing the severe duplication and overlap among HUD, Commerce, EPA, SBA, CSA, ACTION and the Department of Agriculture (Farmers Home). The OMB Reorganization Project is studying comprehensive reform. It is important to recognize, however, the depth of feeling both in Congress and in the Cabinet on these issues. As part of the urban policy process we have attempted to design interim coordinative mechanisms, which will streamline overlapping regulations, application procedures, and encourage cooperative funding of major projects and development plans. However, similar efforts have not worked well on a sustained basis in the past and successful coordination will require both your attention and that of the White House staff.

4. Major Program Initiatives

I will not review in this memo the numerous (and I believe impressive) modifications in base programs suggested by the Agencies. In broad outline, major new potential initiatives will include:

- A new process for federal interagency coordination of program implementation.
- Extension and redesign of the countercyclical assistance program (already budgeted).

- Additional economic development incentives, including a National Development Bank, possible increases in existing development -- related grant and loan programs targeted to need, targeted initiatives for minority and small business, and possibly highly targeted tax credits.
- A "soft public works" program (which you tentatively approved last year) directed at labor-intensive improvements in public lands and buildings and targeted in part to the structurally unemployed.
- Reform and redirection of federal purchasing and building site location policy.
- Strong incentives for coordination of development-related programs of the State and local level.
- Modest initiatives to involve neighborhood groups and volunteers.
- Modest initiatives to improve health care and social services together with the targeted education initiative already announced.

2:00 PM



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

MAR 14 1978

MEMORANDUM FOR: The President

SUBJECT: Urban Policy

Tomorrow afternoon, the URPB and the Domestic Policy Staff will brief you on the status of our efforts to develop an urban policy. To assist you in preparing for this briefing, I am enclosing the following materials:

- (1) Memorandum dated January 9, 1978 from Stu Eizenstat and myself on urban policy;
- (2) Your memoranda on the urban policy dated January 25, January 31 and February 16, 1978 respectively; and
- (3) A set of charts which will form the basis for your briefing tomorrow.

I hope that you will find this material helpful in preparing for tomorrow's briefing. Prior to your departure on Friday for North Carolina and Georgia, we will submit to you a memorandum outlining the key elements of an urban policy, suggesting broad policy principles, improvements in existing programs and new programs and initiatives.

Pat

Patricia Roberts Harris

Enclosures

THE WHITE HOUSE

WASHINGTON

January 9, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

PATRICIA ROBERTS HARRIS *Pat*
STU EIZENSTAT *Stu*

SUBJECT:

Urban Policy

This memorandum provides a summary of urban problems and recommends general principles and objectives for the Carter Administration's urban policy. If you approve, these principles and objectives will be the basis for intensive analysis of base programs, structural changes and new initiatives.

I. URBAN PROBLEM

Urban America is characterized by the following trends: continued decentralization of population and business; increasing fiscal and social service disparities between central cities and their suburban neighbors; continued concentration of minorities and poor in central cities. While liberal annexation policies and regional growth have reduced the impact of these trends and averted fiscal distress in many Southwestern and Western cities, recent dramatic population shifts between regions have heightened these trends in the Northeast and Middle West.

Those cities which are most adversely affected by these trends exhibit the following signs of distress:

-- Private Sector Job Loss: Private sector jobs in central cities grew from 1960-1970, but declined from 1970-1975. The principal job losses were in manufacturing, suggesting that future employment growth for central cities will be concentrated in service industries. An increasing mismatch has developed in many cities between available jobs and the skill/education levels of those in the labor force or those who would like to be in the labor force. The disparity between suburban and central city employment rates has widened steadily during the 1970's.

-- Population Outmigration: Twice as many people left central cities from 1970-1975 as left during the entire previous decade. Net outmigration of the middle class from the central cities is continuing despite evidence of new popularity of cities for singles and childless couples.

-- Low Income Population: Income disparities between suburbs and central cities are widening. There is some evidence that the net immigration of poor people into cities is declining, but central cities still provide shelter for a disproportionate share of impoverished households and minorities. In 1974, 37% of the nation's poor lived in central cities compared to 26% in 1959.

-- Underutilized Resources: The dispersal of population has reduced energy efficiency, and has led to the underutilization of urban facilities, infrastructure and land. Because the cost of many city services remains fixed even while population declines, per capita city expenditures rise as the population shrinks.

-- Physical Deterioration and Decay: The single largest proportionate decrease in spending for distressed cities has been in the area of capital expenditures. As the physical infrastructure deteriorates an opportunity to conserve existing resources is lost. In addition, a key economic rationale for helping cities--that there is a national interest in utilizing existing infrastructure--is weakened.

Housing Problems: The increased cost of new and existing housing has restricted the housing choices available to most urban residents. The failure to provide capital at reasonable and predictable rates, residential redlining and private market disinvestment, and the inconsistent funding and administration of Federal housing programs have combined to impede major revitalization and new construction in urban areas.

Limited housing options and deteriorated housing stock have become a major problem in distressed cities.

-- Fiscal Strain and Tax Burden: The outflow of taxable wealth, coupled with the presence of a high service-cost population, has created a revenue-expenditure imbalance in a growing number of cities.

Expenditures in most distressed cities are growing at a rate much faster than increases in the value of real property. The expenditure growth rate in older cities has slowed significantly over the past three years, but bringing expenditures in line with revenues trends to require annual absolute reductions in service levels in high strain cities.

In all regions except the South, per capita non-school taxes and expenditures of central city governments rose much faster than per capita non-school taxes and expenditure of suburban governments.

Local taxes required a payment of 9.1% of resident income in central cities in 1970 and only 6.8% in the suburbs. Personal incomes grew almost twice as rapidly in suburbs as in cities between 1960-1973.

In the 15-25 most distressed cities, the expenditure growth rate for a current services budget exceeds the revenue growth rate by at least 2-5%. These cities must either raise taxes or reduce services by 2-5% each year simply to fund ongoing activities. Whether the city resorts to higher taxes or reduced services to close the gap, the consequence is further outmigration, which in turn weakens the tax base and deepens the cycle. In high distress cities, there are inadequate resources to halt the cycle.

Although state and local governments had an aggregate surplus of \$18.4 billion in 1976, the presence of a budget surplus at the end of a fiscal year, which often is a constitutional requirement, may obscure expenditure cutbacks that were necessary to achieve that surplus: i.e., New York City's 1978 budget will show a \$100 million "surplus" as defined by state law. In addition, much of the "surplus" is at the state level and much is due to accumulated pension funds which are not available for general use.

-- Urban Crime: In a recent Gallup Poll, the high crime rate was repeatedly cited as the worst feature of urban life. Crime - and fear of crime - is strongly associated with neighborhood deterioration. It presents a major obstacle to central city business and residential redevelopment and erodes the stable economic base within communities.

-- Urban School Systems: City public school systems are generally under-funded, experience greater vandalism, and have higher drop-out rates than non-urban school systems. Inferior public education in cities is viewed as a significant reason for abandonment of the cities by families with school-age children.

-- Discriminatory Practices: Minorities face many obstacles to full participation in the life of this country. Because of discriminatory practices, their job, housing, cultural, education and business opportunity options in metropolitan areas are often narrow ones. Similarly, because of discriminatory practices, their choice of residence is usually limited to older and/or decaying neighborhoods in cities. Racial concentration in cities may heighten racial tensions and limit city options concerning revitalization.

-- Political Fragmentation and Fiscal Disparities: Many cities are surrounded by numerous independent jurisdictions and are served by numerous special districts. Many cities must rely on an increasingly narrow tax base to respond to the needs of an increasingly large poverty population. Tax jurisdiction policies are set by state governments.

II. SCOPE OF THE PROBLEM

Central city decline is not universal. The Brookings study suggests that one-quarter of the cities above 50,000 and one-half of all cities above 500,000 population can be characterized as distressed. Therefore, the Administration's urban policy must recognize distinctions between types of cities. Our urban policy must address both distressed cities and other urban areas large and small which may have pockets of distress or which may become distressed in the future without adoption of a coherent, national urban policy.

However, the problem is spreading. Many healthy cities (e.g., L.A., Dallas) began to show the first signs of population loss in the period from 1970 to 1975. Moreover, there are "pockets of distress" in even the healthiest cities, and fiscal disparities between central cities and suburban areas are growing.

In the South and West, annexation has averted fiscal distress but masked inner city decay. Virtually every major Southern city that grew during the 1960's did so through annexation.

III. UNDERLYING CAUSES OF THE PROBLEM

The principal causes of urban decline are private market forces augmented or reinforced by state and federal policies, and age and density of the cities themselves.

Private Market Forces: To an important extent, urban decline is caused by economic forces over which the Federal Government has little control: i.e., technological change, residential preferences, regional business costs disparities. Affluence and the automobile have facilitated the search for single family housing in the suburbs.

Clearly, one of the principal elements causing urban problems is the decline of the private sector economic base. Private sector economic growth provides jobs and income for city residents and a tax base for the city. A long term urban strategy must address this issue.

Age and Density: There is a consistent correlation between the age and density of a central city and its economic and social condition. The older and denser cities often have inefficient land use patterns and deteriorating public infrastructure, as well as concentrations of poor and elderly residents. Cities must meet the higher per capita costs of urban services and maintenance of older capital stock. Housing deterioration generates neighborhood decay and community disinvestment.

Federal Policies: Although the effect of Federal policies is difficult to measure, the Federal Government has, often inadvertently, reinforced and strengthened existing trends.

Rand Corporation and other studies have documented the anti-urban impact of many federal policies which theoretically are geographically neutral. Examples of this are past federal policies relating to highway construction, federal mortgage insurance, water and sewer grants and the federal income tax code. On the other hand, policies which may not benefit cities may serve other important federal policy objectives, i.e., certain Defense Department activities.

Dispersal of Federal Aid: Federal aid to localities as a percentage of local revenues has risen steadily over the past decade, from 6 percent in 1966 to 25 percent in 1976. However, the recent movement toward block grants and formula distribution has led to an even broader dispersion of benefits and relatively less assistance for distressed cities. Indeed, from 1969-1975, federal payments to the average municipality rose 50 percent faster than payments to 10 major older cities. In contrast, targeting efforts, like HUD's revised CDBG formula, help to apportion funds more consistently with need.

Problems of Existing Federal Programs: A great deal of federal assistance currently is provided to the most distressed cities. Often this assistance is provided in an uncoordinated fragmented manner. A successful urban strategy requires better use of existing base programs.

A description and analysis of base programs with major urban impact is attached at Tab A.

The Role of the States: The division of responsibility between the State and its localities concerning policies and powers in the areas of economic development, educational financing, social services and taxes significantly affects the conditions of central cities. Many of these policies are set solely by State governments and vary widely by States.

Liberal State annexation policies in certain parts of the South (e.g., Jacksonville) and West (e.g., Houston) have permitted cities in these regions to share the benefits of growth in surrounding areas. Cities in the Northeast and Midwest have remained "landlocked", permanently separated from the growth in surrounding areas. If San Antonio, Texas, for example, had the same boundaries that it had in 1945, it would contain more poverty and unemployment than Newark, New Jersey.

The Local Government's Role: The most "distressed" central cities do not have the fiscal resources to solve their own problems. Many, nevertheless, have initiated stringent fiscal controls to address these problems. Some cities, however, have not developed appropriate strategies to create an attractive climate for private investment. Others have been slow to bring expenditures in line with revenues or to develop appropriate management and planning techniques. Our urban policy must insure accountability by local governments.

IV. STRATEGY

We believe that your forthcoming message should not attempt to set out a final urban program but should:

- o Define broad policy principles and objectives and commit us to a long-term effort (through programmatic revision and reorganization) to make federal programs responsive to these principles.
- o Thoroughly analyze the base programs and announce immediate steps to improve and coordinate operation of these programs consistent with these principles.
- o Summarize the Administration's current (enacted and pending) initiatives to help cities and their people

(welfare reform, countercyclical revenue sharing, urban development action grants, CDBG expansion and targeting, increased emphasis on housing rehabilitation and expanded construction of new housing, \$200 million social services add-on for day care, education funding and program modifications, CHAP).

- o Announce new initiatives which implement the principles and objectives and which are specifically designed to:
 - Improve functioning of base programs;
 - Continuously evaluate the impact of past and future federal actions on cities;
 - Utilize federal funds efficiently by leveraging non-federal public and private sector funds;
 - Create incentives for structural reforms by state and local governments;
 - Reflect the diversity of urban problems, but target assistance to areas of greatest need;
 - Address the needs of distressed cities that have both short-term fiscal shortfalls or problems and deteriorating physical infrastructure;
 - Work to remove the anti-urban bias in certain federal programs including federal tax provisions;
 - Help all urban areas to rebuild or continue to build a stable economic base and alleviate the cycle of economic and fiscal decline;
 - Increase access to the American economic system for minorities and other disadvantaged citizens;
 - Help urban areas respond to housing and neighborhood revitalization needs;
 - Strengthen the Federal-State-local partnership.

Your message would express the Administration's concerns for the health of the nation's cities and the quality of life available to their residents. It would establish a comprehensive commitment to urban economic and community development. Furthermore, it would link this commitment to well-defined jobs, revitalization, housing and social policies.

V. PRINCIPLES AND OBJECTIVES

Working sessions with URPG members led to a refined set of specific principles and urban objectives.

(a) Principles. URPG provided a broad set of policies to guide federal options with respect to cities.

- Concern for the needs of all cities and metropolitan areas, within the context of balanced national growth priorities.
- Recognition that some cities have more intense problems than others and that strategic targeting of select resources is both equitable and proper.
- Recognition that the federal government has a positive role to play in helping cities respond to problems caused by growth and decline.
- Recognition that federal policy must be sufficiently flexible to meet the diverse needs of different cities.
- Recognition that the private sector, neighborhood groups, volunteer groups, and concerned citizens must play ~~an~~ the most important role in securing a healthy city.
- Recognition that limited federal resources require maximum use of federal dollars to leverage State and local government commitment as well as private sector investment.
- Recognition that the federal government has the responsibility to take the lead in developing policies which include racial minorities in national economic development activities.

- (b) Objectives. The above principles would guide our effort to address the following interrelated federal policy objectives.
- (1) Meeting emergency needs of communities and people in distress, including:
- o Fiscal assistance to bridge the revenue-expenditure gap, avoid counter-productive service reductions and tax increases, and stimulate revitalization efforts.
 - o Employment opportunities for their large concentrations of unemployed citizens, particularly young persons aged 16-25.

Unemployment affects many persons who do not live in cities. Unemployment programs apply, and should continue to apply to non-urban areas. Yet unemployment is so central a problem of distressed cities that it must be a central focus of urban policy.

- (2) Strengthening or stabilizing the private sector economic base for all American urban areas:

It is clear from the work of the URPB that the long term picture of our cities depends on developing (and/or retaining) a viable base of private sector activity, to provide jobs and tax base. This should be an important element of our policy.

- (3) Making cities and urban areas more attractive places in which to live and work, curbing the deterioration of capital infrastructure, improving and expanding housing stock, addressing the problem of street crime and discouraging urban sprawl.

Revitalizing neighborhoods and providing expanded housing choices, particularly for the poor and minorities should be key Administration goals. They are also essential to the goals of strengthening local economies.

- (4) Strengthening the fiscal condition of cities and urban areas to increase their competitive attractiveness. This objective lends itself to use of limited federal incentives to encourage innovative partnerships with States and metropolitan areas.

- (5) Strengthening efforts to eliminate discrimination and encourage equal opportunity.

URPG's report documented the price this nation has had to pay and continues to pay because of discrimination and racism. The objective can be met without major new expenditures. It requires amending and strengthening existing enforcement mechanisms and procedures. It is an essential element of an urban policy.

The principles and objectives (if you approve) will guide an intensive analysis of our federal base programs and of any new initiatives. They will also provide the basis of an innovative effort to evaluate continuously the urban impact of federal programs. Under each objective, we have listed in Tab A the applicable base programs. We have presented no new programmatic initiatives in this document, except those which you have already approved or which are being presented to you through the normal budget/legislative process. However, we will return to you with a more detailed policy/programmatic memorandum later this month.

DECISION

- _____ Approve principles and objectives described above as basis for analysis of base programs and new initiatives.
- _____ Disapprove.
- _____ Need meeting with the Secretary.

Note: If you approve we would expect to report to you on progress later this month. We would work closely with Mrs. Carter and the Vice President, and consult widely with mayors, governors and local leaders.

Attachment

THE WHITE HOUSE

WASHINGTON

1-25-78

To Pat Harris
Stu Eizenstat

Proceed on urban policy as
indicated on memo, but

- a) include all cities
- b) analyze existing programs first
- c) encompass federal state, local govt,
+ private & neighborhood groups +
volunteers.

I would like to place a
major emphasis on c) & try to
do it in an inspirational &
exciting way if possible.

My whole family will help.

Jimmy

IMMEDIATE OFFICE
OF THE
SECRETARY

THE WHITE HOUSE JAN 31 6 07 PM '78
WASHINGTON

RECEIVED

1-31-78

To Pat Harris
Jim Mc Intyre
Steve Eizenstat

You three get together
& be sure the urban
policy principles are de-
fined clearly. I do not
want the interest groups
writing the report. See
me if you cannot re-
solve differences.

Jimmy C.

THE WHITE HOUSE
WASHINGTON

2-16-78

To Pat Harris
Stu Eisenstat

Be sure to get written
suggestions re urban
policy from black
leaders & other groups
so as to derive good
ideas & to minimize the
inevitable criticisms
later on.

J.C.

NATIONAL URBAN POLICY:

CONSERVING AMERICA'S

CITIES AND

NEIGHBORHOODS

**CULTURAL AND
FINANCIAL
CENTERS**

**CRITICAL TO
AMERICA'S
ECONOMIC
STRENGTH AND
QUALITY OF LIFE**

**DIVERSE
NEIGHBORHOODS OF
ARCHITECTURAL AND
HISTORIC VALUE**

**PHYSICAL PLANT
WORTH \$3 TRILLION**

**WHY CITIES
ARE WORTH
SAVING**

**THROUGH THE
AGES CITIES HAVE
ADVANCED
CIVILIZATION**

**70% OF
AMERICANS LIVE
IN URBAN AREAS
AND MOST OF
AMERICA'S POOR
LIVE IN CENTRAL
CITIES**

**CONSERVE ENERGY
AND
RESOURCES**

**AMERICANS VIEW
CITIES AS THE
CENTER OF
AMERICAN SOCIETY**

GOALS FOR NATIONAL URBAN POLICY



**PRESERVE
THE HERITAGE AND
VALUES OF
AMERICA'S OLDER
CITIES**

**MAINTAIN
THE INVESTMENT IN
OLDER CITIES
AND THEIR
NEIGHBORHOODS**

**ASSIST
NEWER CITIES
CONFRONT
THE CHALLENGES
OF GROWTH**

**PROVIDE
IMPROVED
HOUSING, JOB
OPPORTUNITIES
AND
COMMUNITY
SERVICES**

**URBAN
PROBLEMS ARE
FOUND
EVERYWHERE**

- OLDER AND NEWER CITIES
- SMALL AND LARGE CITIES
- LARGE CITIES • NORTHERN
AND SOUTHERN
CITIES

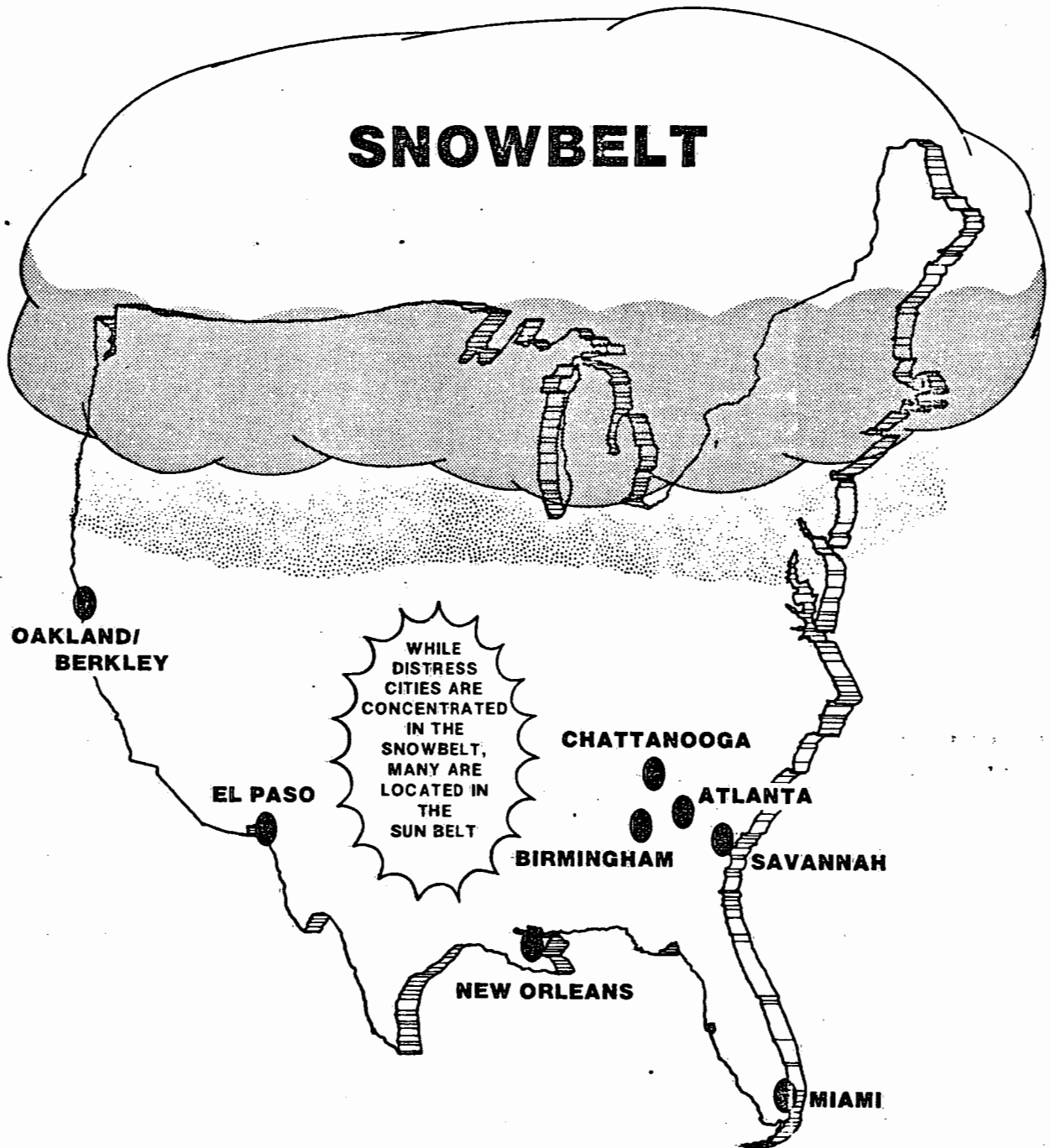
• SOME CITIES
ARE IN SERIOUS
TROUBLE, ECONOMICALLY
AND SOCIALLY...**THEY NEED
HELP** • OTHERS HAVE
SOME PROBLEMS **BUT
THEY CAN MANAGE**
• SOME ARE HEALTHY
**BUT CONDITIONS EXIST
FOR FUTURE
PROBLEMS**

**OLDER
DISTRESSED
CITIES FACE:**

- POLLUTION • HIGH TAXES
- POOR SCHOOLS • CRIME
- FISCALLY STRAINED
BUDGETS • LOSS OF JOBS
- POVERTY • FLIGHT OF PEOPLE
AND INDUSTRY • ERODING TAX
BASES • OBSOLETE PHYSICAL
STRUCTURES • OUTMODDED
DEVELOPMENT
- RACISM

**GROWING CITIES
FACE:**

- ENERGY INEFFICIENT
LAND USE • RESOURCE
WASTEFUL SPRAWL
- POCKETS OF POVERTY
- SOME PHYSICAL DECAY
IN OLDER AREAS



SNOWBELT

OAKLAND/
BERKLEY

EL PASO

WHILE
DISTRESS
CITIES ARE
CONCENTRATED
IN THE
SNOWBELT,
MANY ARE
LOCATED IN
THE
SUN BELT

CHATTANOOGA

BIRMINGHAM

ATLANTA

SAVANNAH

NEW ORLEANS

MIAMI

**PEOPLE
AND
INDUSTRY
MOVING OUT
OF CITIES**

**OUTMODED PHYSICAL
FACILITIES AND
DEVELOPMENTAL
PATTERNS**

**UNCERTAIN
ECONOMIC
GROWTH**

**LIMITED HOUSING
CHOICES**

**WHY CITIES
CAN'T
COPE**

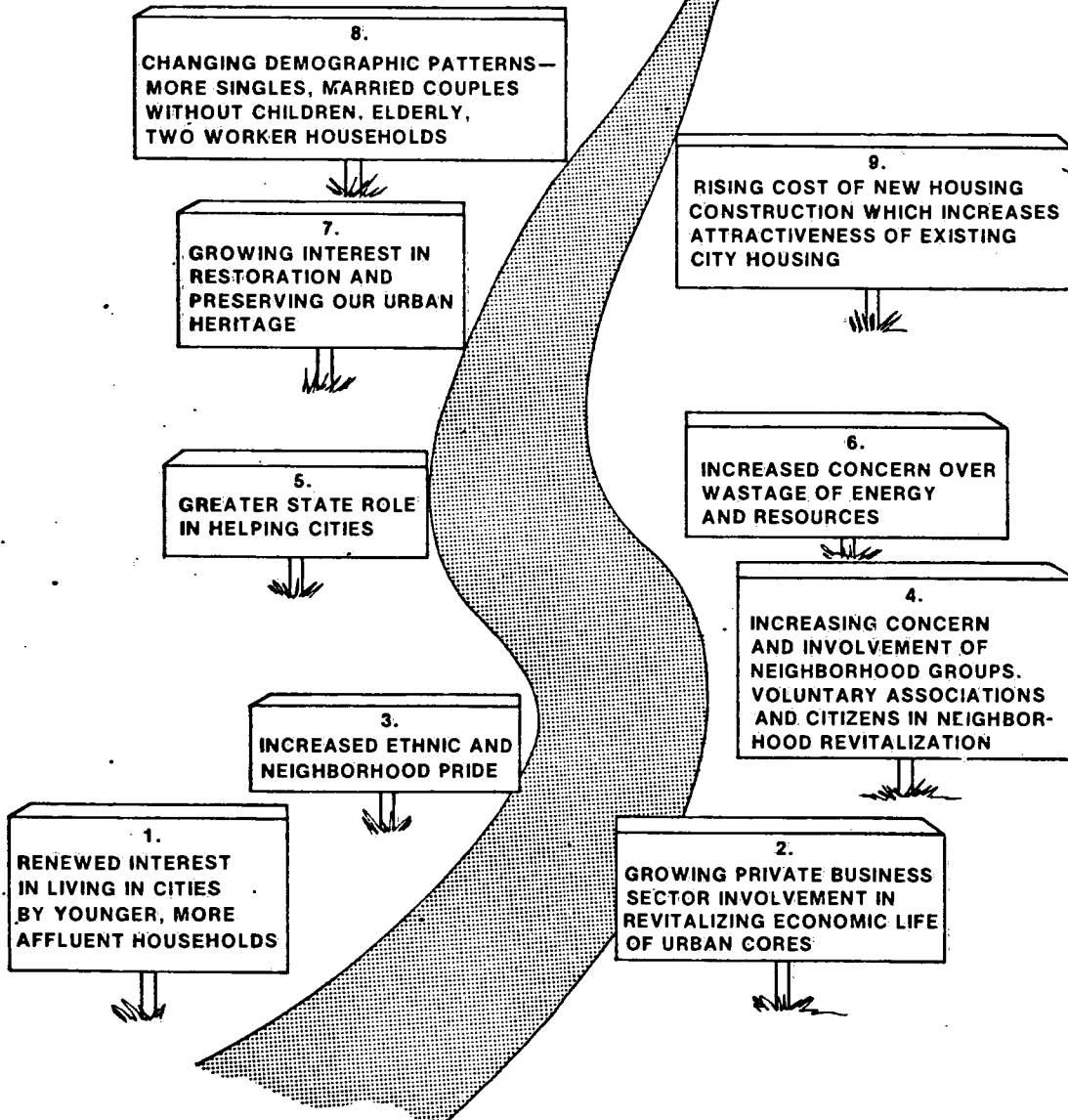
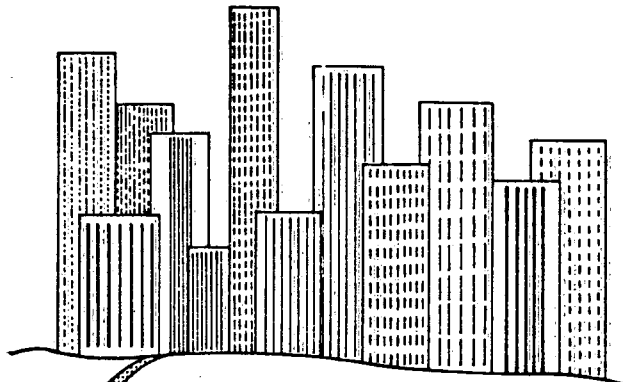
**LIMITED POWERS,
NARROW
BOUNDARIES,
FRAGMENTED
GOVERNMENT**

**MISMATCH
OF JOBS
AND SKILLS**

**FISCAL
IMBALANCE
AND DISPARITY**

**RACISM
AND
DISCRIMINATION**

POSITIVE SIGNS FOR CITIES

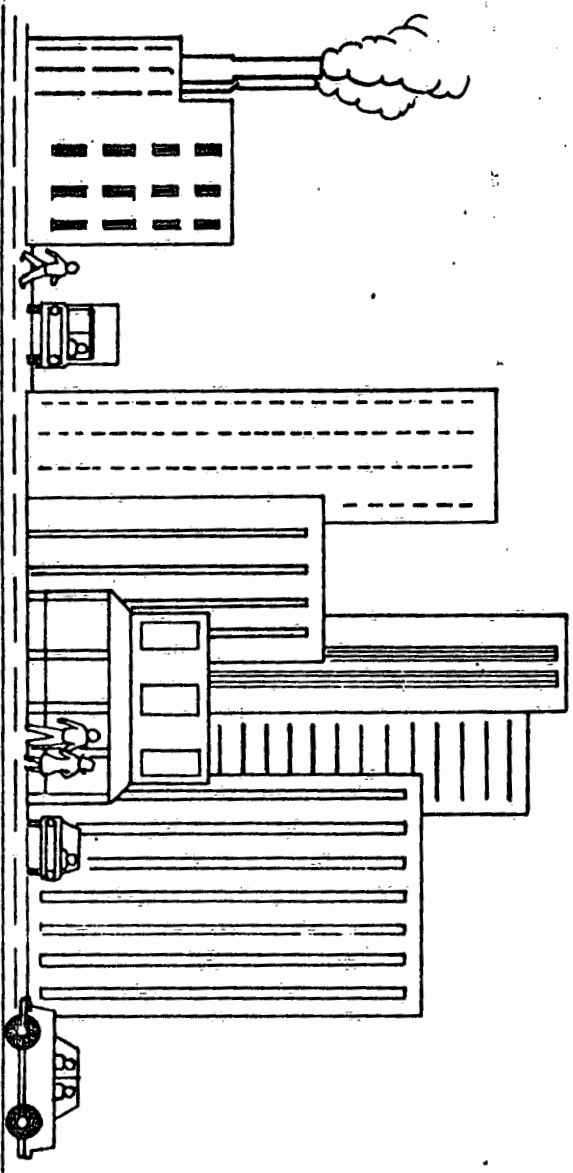


FEDERAL COORDINATION IMPACT
INCENTIVE TO STATES
ROLE OF CITY HALL
ROLE OF NEIGHBORHOOD
ECONOMIC DEVELOPMENT
FISCAL CONDITION
ATTRACTIVE LIVABLE COMMUNITIES/HOUSING
SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS
RACISM/DISCRIMINATION
JOB MOBILITY

10 URBAN POLICY
RECOMMENDATIONS

38 STRATEGIES

100 + RECOMMENDATIONS TO IMPROVE
38 EXISTING FEDERAL PROGRAMS IN 9 AGENCIES



CONSERVING AMERICA'S
CITIES & NEIGHBORHOODS

MAJOR URBAN INITIATIVES OF THE CARTER ADMINISTRATION JANUARY 1977 TO DATE

- **WELFARE REFORM**
 - **EXPANSION OF JOB PROGRAMS**
 - **INITIATION OF YOUTH EMPLOYMENT PROGRAM**
-
- **EXPANSION AND TARGETING OF CDBG**
 - **INITIATION OF UDAG**
 - **STRENGTHENING AND REORGANIZATION OF
EQUAL OPPORTUNITY/AFFIRMATIVE
ACTION AGENCIES**
 - **TARGETING OF CETA (proposed)**
 - **EXPANSION OF ESEA (proposed)**
 - **EXPANSION OF HOUSING PROGRAMS**

URBAN POLICIES AND STRATEGIES

PROBLEM:

- UNCOORDINATED DELIVERY OF FEDERAL ASSISTANCE TO CITIES
- INCONSISTENT FEDERAL ACTIONS WHICH HURT CITIES

POLICY RESPONSE 1

EXISTING AND NEW FEDERAL PROGRAMS WILL BE ADMINISTERED IN A COORDINATED, EFFICIENT AND FAIR MANNER TO STRENGTHEN CITIES. ACTIVITIES WILL BE EVALUATED BEFORE APPROVAL SO THEY ARE CONSISTENT WITH POLICY.

URBAN PROGRAM EVALUATION

	TARGETING TO EXISTING CITIES	TARGETING TO PEOPLE & NEIGHBORHOODS	ECONOMIC COMMITMENT IMPACT	IMPACT TO STATES	ROLE IN CITY HALL	ROLE IN NEIGHBORHOOD	ECONOMIC DEVELOPMENT			LEGAL CONDITIONS		ATTORNEY GENERAL COMMITMENT TO PROGRAM	SPRINKLING LAW ON TALKING PARTIES	BUDGET COORDINATION	JOB MOBILITY
							TAG BASH	JOB	RESTRUCTURE ECONOMY	MINOR BATTLE	REVENUE				
CSA	+	+	✓	✓	✓	✓	0	✓	0	0	0	✓	0	+	✓
OTHER JOB TRAINING <small>DOL</small>	✓	✓	-	✓	✓	-	-	✓	-	✓	-	0	0	✓	-
TITLE XX <small>HEW</small>	✓	✓	-	+	-	-	0	0	0	0	0	✓	0	+	-
UDAG <small>MUD</small>	+	+	0	✓	+	✓	+	✓	✓	✓	0	+	✓	0	✓

KEY	POSITIVE	+	NEGATIVE	-
	MIXED	✓		NOT RELEVANT 0

POLICY 1: FEDERAL COORDINATION/ URBAN IMPACT

STRATEGIES

- **INITIATE URBAN IMPACT ANALYSIS
OF FEDERAL ACTIVITIES**
- **INCREASE INTERAGENCY
COORDINATION AND POLICY FOCUS**

PROBLEM: MANY STATES HAVE
BEEN INSENSITIVE TO
CITY NEEDS

POLICY RESPONSE 2

DEVELOP FIRM PARTNERSHIP WITH STATE
GOVERNMENTS TO ADDRESS URBAN
PROBLEMS.

PROVIDE INCENTIVES FOR STATES TO
IMPLEMENT COMPREHENSIVE URBAN
POLICIES AND STRATEGIES

LIMITED STATE INVOLVEMENT

- **FEDERAL AID EXCEEDS STATE AID IN MANY LARGE CITIES**
- **FEDERAL AID ACCOUNTS FOR APPROXIMATELY 25% OF LOCALLY SECURED FUNDS IN ALL CITIES, WHILE STATE AID IN MANY STATES IS FAR LESS**
- **ONLY 10 STATES SPENT AT LEAST \$1.0 MILLION DIRECTLY IN 1976 FOR THE PROVISION OF HOUSING OR COMMUNITY DEVELOPMENT FACILITIES**
- **ONLY 9 STATES GAVE FUNDS DIRECTLY TO CITIES IN 1976 TO HELP MEET HOUSING AND COMMUNITY DEVELOPMENT NEEDS**

POLICY 2: FEDERAL — STATE PARTNERSHIP

STRATEGIES

- **CHANNEL REVENUE SHARING
TO STATES**
- **PROVIDE FLEXIBLE SUPPLEMENTAL
FUNDS TO STATES**

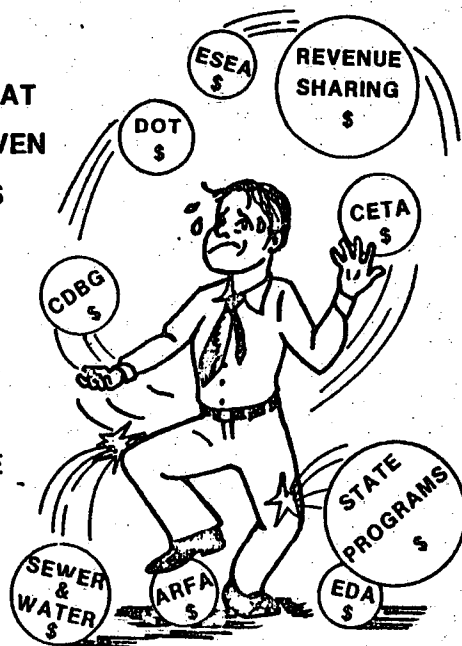
**PROBLEM: LACK OF LOCAL PLANNING
AND MANAGEMENT
CAPABILITY TO DEAL WITH
URBAN NEEDS**

POLICY RESPONSE 3

**BUILD LOCAL PLANNING AND MANAGEMENT
CAPACITY. PROGRAMS WILL SUPPORT LOCAL
EFFORTS TO DEVELOP ECONOMIC, SOCIAL
SERVICE, AND COMMUNITY DEVELOPMENT
POLICIES AND STRATEGIES.**

**LOCAL GOVERNMENTS WILL PLAY A MAJOR
ROLE IN COORDINATING THE USE OF
FEDERAL FUNDS.**

- **THERE ARE 30 MAJOR FEDERAL PROGRAMS THAT MAKE UP 90 PERCENT OF ALL FEDERAL AID GIVEN DIRECTY TO LOCALITIES. THE WAY PROGRAMS ARE ADMINISTERED TAX THE PLANNING AND MANAGEMENT CAPABILITIES OF THE MOST SOPHISTICATED CITIES, AND OVERWHELM THE LESS CAPABLE.**
- **MANY LOCAL GOVERNMENT INSTITUTIONS ARE FRAGMENTED AND AUTHORITY OF LOCAL OFFICIALS UNCLEAR.**



POLICY 3: STRENGTHEN LOCAL GOVERNMENT CAPACITY

STRATEGIES

- **CONSOLIDATE AND TAILOR
PLANNING ASSISTANCE**
- **CONSOLIDATE OVERLAPPING
TECHNICAL ASSISTANCE**
- **INCREASINGLY CHANNEL FEDERAL
PROGRAM FUNDS TO CITIES WITH
COMPREHENSIVE PLANS**
- **HELP CITIES COORDINATE
FEDERAL PROGRAMS**

PROBLEM: NOT ENOUGH
RECOGNITION OF THE ROLE
OF VOLUNTARY ORGANIZATIONS
NEIGHBORHOOD GROUPS
& CITIZENS IN URBAN
REVITALIZATION

POLICY RESPONSE 4

ENCOURAGE AND SUPPORT THE EFFORTS OF
NEIGHBORHOOD AND VOLUNTARY GROUPS AND
PRIVATE CITIZENS IN REVITALIZING THEIR
COMMUNITIES

- **THE NATION HAS MORE THAN 5 MILLION NON-PROFIT OR VOLUNTARY NEIGHBORHOOD ASSOCIATIONS.**
- **BETWEEN 35 AND 40 MILLION AMERICANS GIVE THEIR TIME TO WORK THROUGH THESE ORGANIZATIONS EACH YEAR.**
- **SOME \$40 BILLION IN GOODS AND SERVICES ARE PRODUCED, RAISED AND DELIVERED EACH YEAR THROUGH THESE GROUPS AND THEIR MEMBERS.**

POLICY 4: REVITALIZE NEIGHBORHOODS

STRATEGIES

- **DELIVER TECHNICAL ASSISTANCE
TO NEIGHBORHOODS**
- **DEMONSTRATE NEW
TECHNOLOGY FOR
NEIGHBORHOOD REVITALIZATION
AND SERVICE DELIVERY THROUGH
PILOT PROJECTS**
- **PROMOTE NEIGHBORHOOD/
VOLUNTEER GROUP SELF HELP**

**PROBLEM: A DECLINING URBAN
 ECONOMY**

- DECLINING ECONOMIC BASE OF TROUBLED CITIES
- ALARMING UNEMPLOYMENT RISE IN TROUBLED CITIES
- LACK OF INCENTIVES TO ATTRACT, RETAIN, OR EXPAND EXISTING INDUSTRIAL BASE IN TROUBLED CITIES

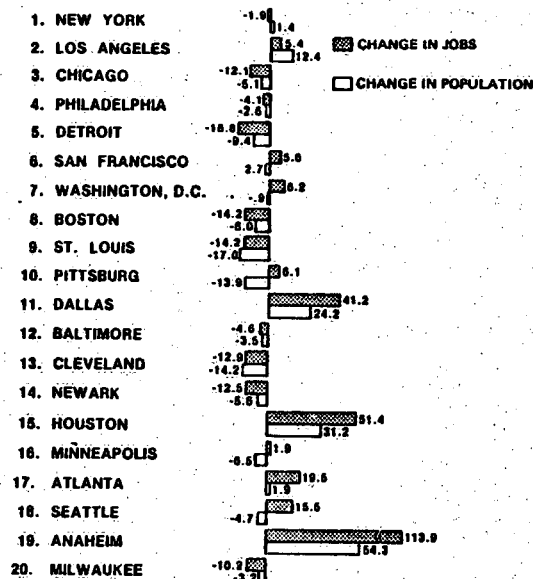
POLICY RESPONSE 5

OFFER STRONG INCENTIVES FOR BUSINESSES AND INDUSTRY TO REMAIN, EXPAND, OR LOCATE IN ECONOMICALLY TROUBLED CITIES. END FEDERAL DISINCENTIVES FOR LOCATING IN TROUBLED CITIES WHERE POSSIBLE.

THE ECONOMIC PERFORMANCE OF LARGE CITIES IN THE 70'S, BY REGION

REGION	NUMBER OF CITIES WITH POPULATION 100,000 (1975)	GROWTH IN MANUFACTURING / RETAIL EMPLOYMENT (1969-72) (PERCENT)	AVERAGE UNEMPLOYMENT RATE 1976 (PERCENT)
NORTHEAST	27	-13.6	11.1
NORTH CENTRAL	39	-1.2	7.3
SOUTH	57	21.5	6.8
WEST	37	17.6	8.5

CHANGE IN CENTRAL CITY JOBS AND POPULATION FOR THE 20 LARGEST SMSAs BETWEEN 1960 AND 1975



OLDER CITIES HAVE LOST A GREAT MANY OF THEIR MIDDLE INCOME RESIDENTS, CHICAGO, FOR EXAMPLE, BETWEEN 1950 AND 1970, GAINED 150,000 HOUSEHOLDS IN THE LOWEST 40% OF INCOME AND LOST 140,000 IN THE TOP 40%

POLICY 5: PROMOTE CITY ECONOMIC HEALTH

STRATEGIES

- **PROVIDE TAX INCENTIVES AND
REMOVE DISINCENTIVES**
- **TARGET FEDERAL PURCHASING**
- **PROVIDE LONG TERM CAPITAL TO
PRIVATE SECTOR**
- **HELP BUSINESSES MEET
ENVIRONMENTAL REGULATIONS**
- **LEVERAGE PUBLIC SECTOR FUNDS TO
SECURE PRIVATE INVESTMENT**

PROBLEM: FISCALLY STRAINED CITIES

- MANY CITIES CAN'T MAKE ENDS MEET
- ERODING TAX BASE AS TAXPAYING PEOPLE AND INDUSTRY MOVE AWAY
- HIGH UNEMPLOYMENT, POPULATION DECLINE, ECONOMIC GROWTH LAG, LARGE DEPENDENCY POPULATIONS, OLD PHYSICAL PLANT
- CONFUSED SYSTEM OF INTERGOVERNMENTAL ASSISTANCE

POLICY RESPONSE 6

HELP DISTRESSED CITIES ADDRESS CRITICAL SHORT-TERM FISCAL PROBLEMS. MAKE EFFORTS WITH STATES TO STRENGTHEN THE LONG-TERM FISCAL CONDITION OF CITIES AND REFORM THE SYSTEM OF INTERGOVERNMENTAL AID.

FISCAL PROBLEMS

- LOSS OF \$30.0 BILLION IN MUNICIPAL PURCHASING POWER SINCE 1972 BECAUSE OF INFLATION (25%)
- LOSS OF MIDDLE CLASS PURCHASING POWER (\$40.0 BILLION) BETWEEN 1974 AND 1977 IN CITIES
- ASSESSED VALUATION IN CENTRAL CITIES BETWEEN 1960 AND 1973 GREW MUCH SLOWER THAN INFLATION

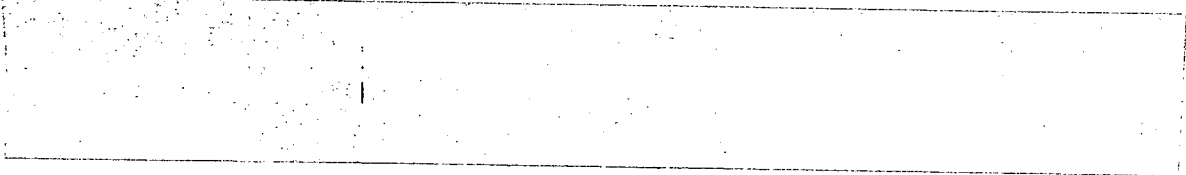
EAST	1.6%	SOUTH	4.95%
MIDWEST	2.74%	WEST	5.40%
- THERE HAS BEEN A .3% DECREASE IN AGGREGATE SERVICE BUDGETS AND A 13% REDUCTION IN AGGREGATE CAPITAL BUDGETS OF THE LARGEST CITIES BETWEEN FISCAL YEARS 1976 AND 1977
- FOR THE 240 LARGEST CITIES, EXPENDITURES INCREASED BY 120% BETWEEN 1967 AND 1972, WHILE FEDERAL AID TO THOSE CITIES INCREASED BY 35%

POLICY 6: HELP CITIES' FISCAL CONDITION

STRATEGIES

- **AID FISCALLY DISTRESSED CITIES**
 - **TARGET BLOCK GRANTS AND EMERGENCY AID**
 - **DEVELOP CASE BY CASE CITY WORK OUT PLANS**
- **STRENGTHEN FINANCIAL SITUATION OF ALL CITIES**
 - **REFORM FEDERAL/STATE, LOCAL INTERGOVERNMENTAL AID SYSTEM**
 - **ENCOURAGE REGIONAL AND METROPOLITAN COST SHARING AND ADMINISTRATION OF SERVICES**

**PROBLEM: MANY OLDER CITIES
ARE NOT COMPETITIVE**

- MANY CITIES EXHIBIT PHYSICAL DECAY, POLLUTION, POOR SERVICES, CRIME, POVERTY, ABANDONED NEIGHBORHOODS, LACK OF LIVING CHOICE
 - MILLIONS OF AMERICANS HAVE MOVED AWAY FROM CITIES
 - NEIGHBORHOOD DECLINE HAS CONTINUED IN OLDER CITIES
- 

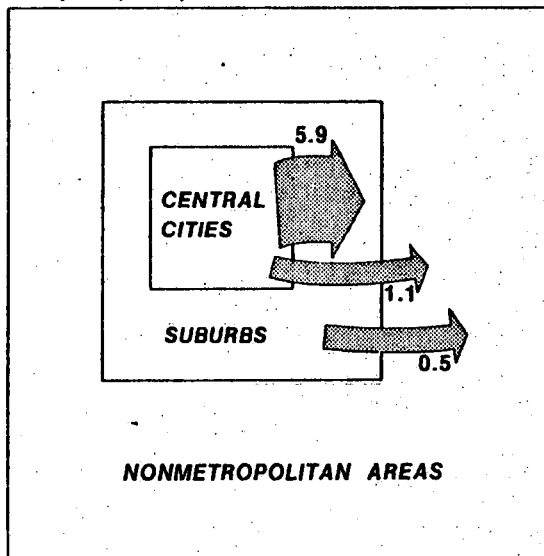
POLICY RESPONSE 7

- HELP MAKE TROUBLED CITIES ATTRACTIVE PLACES TO LIVE AND WORK. HELP IMPROVE THE RANGE AND QUALITY OF SERVICES AVAILABLE TO RESIDENTS. MAKE HOUSING AVAILABLE TO THE POOR IN ALL PARTS OF OUR URBAN AREAS. MINIMIZE DISPLACEMENT OF POOR AND MINORITIES AND REMOVE BARRIERS TO THE CHOICE OF NEIGHBORHOODS. ENCOURAGE THE MIDDLE CLASS TO REMAIN IN OR RETURN TO CITIES

MOVEMENT OF PEOPLE AWAY FROM CENTRAL CITIES

1970-1975 (000,000)

- THE PEOPLE WHO ARE LEAVING CITIES TEND TO BE RICHER, BETTER EDUCATED AND YOUNGER
- AMERICAN PEOPLE HAVE ALWAYS BEEN MOVING. IT IS IMPORTANT TO NOTE WHO IS MOVING, WHO IS STAYING, AND WHAT PROBLEMS VAST MOVEMENTS OF PEOPLE AND JOBS ARE CAUSING



NOTE: WIDTH OF ARROWS IS PROPORTIONAL IN VOLUME
OF NET FLOWS AMONG THE THREE AREAS

POLICY 7: MAKE CITIES ATTRACTIVE PLACES TO LIVE AND WORK

STRATEGIES

- **CHANNEL INCREASED AID TO CITIES THAT DEVELOP COMPREHENSIVE COMMUNITY DEVELOPMENT AND HOUSING POLICY**
- **ENCOURAGE METROPOLITAN WIDE URBAN POLICIES**
- **TARGET COMMUNITY DEVELOPMENT AID TO DISTRESSED CITIES**

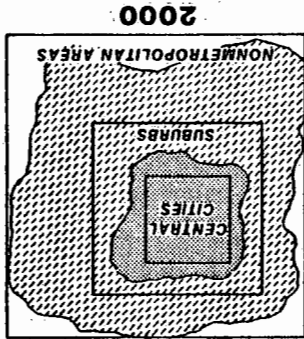
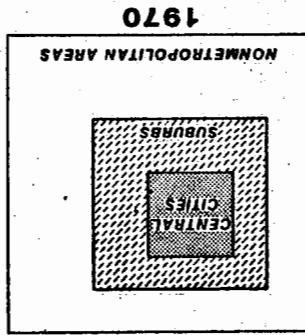
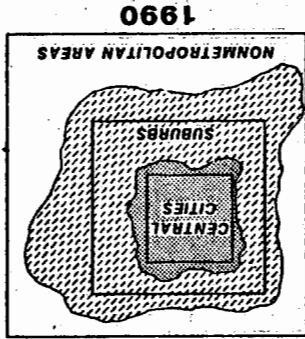
PROBLEM: HAPHAZARD SETTLEMENT PATTERNS

- URBAN SPRAWL EVERYWHERE
- ENERGY-INEFFICIENT SETTLEMENT PATTERNS
- UNCOORDINATED PLANNING AND DEVELOPMENT PROGRAMS

POLICY RESPONSE 8

HELP URBAN AREAS MANAGE GROWTH EFFECTIVELY. AMEND FEDERAL LAWS AND PROGRAMS TO DISCOURAGE SPRAWL AND ENCOURAGE ENERGY EFFICIENT SETTLEMENT PATTERNS.

HAPHAZARD METROPOLITAN GROWTH PATTERNS



POLICY 8: HELP REDUCE SPRAWL

STRATEGIES

- **AMEND PROGRAMS TO
DISCOURAGE SPRAWL**
- **COORDINATE FEDERAL AND
STATE ACTIONS AFFECTING
DEVELOPMENT**

PROBLEM:

LIMITED URBAN OPPORTUNITIES

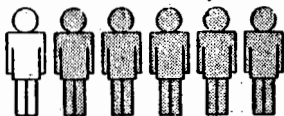
**LITTLE PROGRESS SINCE THE KERNER
COMMISSION REPORT**

**INSTITUTIONAL RACISM AND RESULTING
DISCRIMINATION**

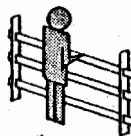
POLICY RESPONSE 9

**CARRY OUT STRONG MEASURES TO
ELIMINATE DISCRIMINATION AND RACISM
FROM ALL ASPECTS OF URBAN LIFE.
STRONG HUMAN RIGHTS LEADERSHIP BY
THE FEDERAL GOVERNMENT.**

**POOR BLACKS ARE FIVE TIMES MORE
LIKELY THAN POOR WHITES TO LIVE
IN HIGHLY CONCENTRATED POVERTY
AREAS WITHIN THE CENTRAL CITIES**



**MANY SUBURBS ARE STILL NOT
ACCESSIBLE TO MINORITIES**



**BANK LOAN REJECTIONS FOR MINORITIES
WERE 50% HIGHER THAN FOR
NON-MINORITIES**



**MINORITIES DENIED TOP AND MIDDLE
MANAGEMENT JOBS IN MOST KEY
INDUSTRIES**



POLICY 9: REDUCE RACISM AND DISCRIMINATION

STRATEGIES

- **PROVIDE CONTINUOUS
WHITE HOUSE LEADERSHIP**
- **ENFORCE EXISTING EQUAL
OPPORTUNITY AND AFFIRMATIVE
ACTION LAWS AND GUIDELINES**
- **STRENGTHEN EQUAL
OPPORTUNITY AND AFFIRMATIVE
ACTION LAWS AND GUIDELINES**

***PROBLEM:* URBAN UNEMPLOYMENT**

- MISMATCH OF JOBS AND SKILLS
- URBAN BLACKS CONSTANTLY UNEMPLOYED
2 TO 2.5 TIMES WHITE UNEMPLOYED
- 30% TO 40% BLACK YOUTH UNEMPLOYED
- LACK OF MOBILE JOB OPPORTUNITIES
FOR WOMEN

POLICY RESPONSE 10

EXPAND BUSINESS AND JOB OPPORTUNITIES
FOR THE URBAN POOR, MINORITIES, WOMEN.
SEEK WAYS TO INCREASE THE MOBILITY
OF THE GROWING NUMBER OF MEN AND
WOMEN TRAPPED IN POVERTY AND DEAD
END JOBS

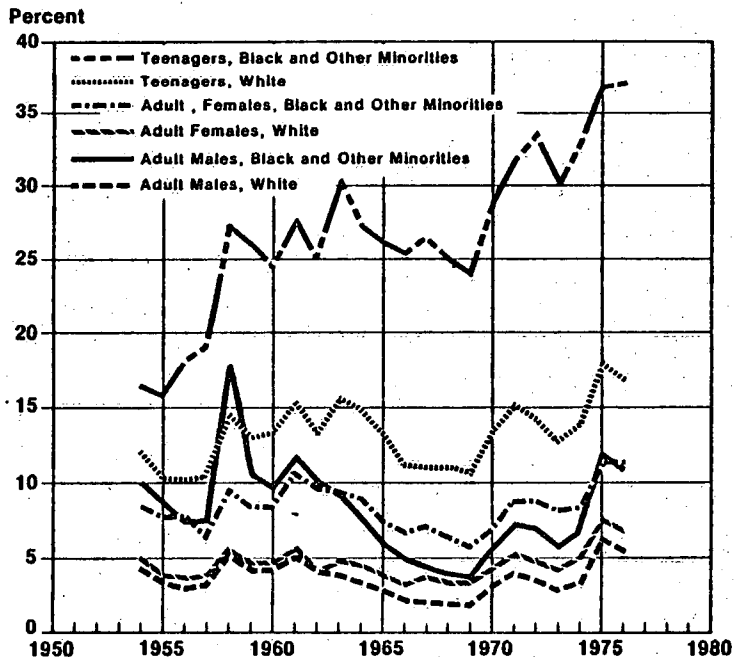
POLICY 10: EXPAND JOB OPPOR- TUNITIES FOR URBAN POOR, MINORITIES AND WOMEN

STRATEGIES

- **LAUNCH DEMONSTRATED WAGE SUBSIDIES EFFORT**
- **PROVIDE JOBS THROUGH NEIGHBORHOOD UPGRADING AND ENERGY RETROFIT PROGRAMS**
- **TARGET TRAINING AND JOB CREATION PROGRAMS**
- **EXPAND TRANSPORTATION ACCESS TO DECENTRALIZED JOBS**
- **HELP UNEMPLOYED WORKERS FOLLOW JOBS**
- **IMPROVE JOB INFORMATION AVAILABILITY**

UNEMPLOYMENT RATE BY AGE, SEX, AND RACE

1954 to 1976



**URBAN POLICY REVIEW
OF EXISTING PROGRAM
PERFORMANCE**

**CONSERVING AMERICA'S
CITIES AND
NEIGHBORHOODS**

URBAN POLICY REVIEW OF EXISTING PROGRAM PERFORMANCE

	FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBORHOOD	ECONOMIC DEVELOPMENT			FISCAL CONDITION		ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMINATION	JOB MOBILITY
					TAX BASE	JOBS	RESTRUCTURE ECONOMY	IMMEDIATE RELIEF	REFORM				
EDA													
TITLE I & II-PUBLIC WORKS	✓	+	✓	-	✓	✓	+	✓	+	✓	✓	✓	✓
TITLE IX-SPECIAL ADJUSTMENT ASSIST.	✓	+	-	-	✓	✓	+	✓	+	✓	✓	✓	✓
TITLE II-BUSINESS LOANS	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TITLE III-304 SUPPLEMENTAL GRANTS	✓	+	✓	○	✓	○	✓	○	✓	✓	○	✓	✓
TITLE III-301/302 TECHNICAL ASSIST. AND PLANNING	✓	+	✓	○	✓	○	✓	○	+	✓	○	✓	✓
ACCELERATED PUBLIC WORKS	✓	○	+	✓	✓	+	✓	+	✓	○	○	✓	✓

HUD													
NEW TOWNS	✓	✓	✓	○	-	✓	-	○	-	✓	+	✓	✓
PUBLIC HOUSING	-	✓	✓	✓	✓	✓	○	○	○	✓	✓	✓	✓
SECT. 203b-HOUSING MORTGAGE GUARANTEE	-	○	○	✓	✓	+	○	○	✓	✓	-	-	✓
SECT. 235- ASSISTED SINGLE FAMILY HOUSING	✓	○	○	✓	○	+	○	○	○	✓	✓	+	✓
SECT. 202-ELDERLY HOUSING LOANS	✓	○	○	✓	○	+	○	○	○	✓	✓	✓	○
SECT. 8- HOUSING ASSISTANCE PAYMENTS	✓	○	○	+	✓	✓	○	○	○	✓	✓	+	+
312-REHAB. LOANS	✓	○	+	+	+	+	○	○	○	+	+	✓	✓
CDBG-COMMUNITY DEVELOPMENT BLOCK GRANTS	✓	-	+	✓	✓	✓	✓	○	+	+	✓	✓	✓
UDAG-URBAN DEVELOPMENT ACTION GRANTS	✓	+	+	✓	+	✓	✓	✓	+	+	+	✓	✓
701-COMPREH. PLNG.ASSIST.	✓	+	✓	✓	✓	○	✓	○	✓	+	✓	✓	✓

DOT													
URBAN SYSTEM-HIGHWAYS	-	+	✓	-	✓	✓	✓	○	✓	✓	-	✓	+
INTERSTATE TRANSFERS-HIGHWAYS	+	+	+	✓	✓	+	✓	○	✓	+	+	○	+
SECTION 3 MASS TRANSIT CAPITAL GRANT PROGRAM	✓	✓	✓	✓	✓	+	✓	○	✓	+	+	✓	✓
SECTION 5 TRANSIT ASSISTANCE	✓	○	+	○	○	✓	○	+	○	✓	+	✓	+

KEY	POSITIVE	+	NEGATIVE	-
	MIXED	✓	NOT RELEVANT	○

URBAN POLICY REVIEW OF EXISTING PROGRAM PERFORMANCE

	FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBOR- HOOD	ECONOMIC DEVELOPMENT			FISCAL CONDITION		ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMI- NATION	JOB MOBILITY
					TAX BASE	JOB	RESTRUCTURE ECONOMY	IMMEDIATE RELIEF	REFORM				
SBA													
SMALL BUSINESSLOANS ^{7(a)}	—	O	✓	✓	✓	✓	✓	✓	✓	✓	—	✓	✓
SBIC, MESBIC	—	O	✓	✓	✓	✓	✓	✓	✓	✓	+	+	✓
LDC — LOCAL DEVEL. CORP.	✓	O	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HEW													
TITLE XX — BLOCK GRANTS SOCIAL SERVICES	✓	+	—	✓	O	✓	O	✓	✓	✓	O	✓	✓
ESEA — ELEMENTARY & SECONDARY EDUC.	✓	+	✓	✓	O	✓	O	✓	✓	✓	O	✓	✓
HEALTH — SERVICE DELIVERY PROGRAM	✓	+	✓	✓	O	✓	O	O	✓	✓	O	✓	✓
CSA													
CED — COMMUNITY ECONOMIC DEVEL.	—	O	✓	✓	✓	✓	✓	✓	—	✓	O	+	✓
CAP — COMMUNITY ACTION PROGRAM	✓	✓	✓	+	O	✓	O	O	O	+	O	+	✓
EPA													
208 — AREAWIDE WASTE TREATMENT PLNG.	✓	+	—	O	✓	O	✓	O	—	✓	—	✓	O
201 — WASTE WATER FACILITY CONSTRUCTION	—	+	✓	✓	✓	✓	✓	✓	✓	✓	—	✓	✓
AIR QUALITY — GRANTS	✓	+	+	+	+	+	+	O	+	+	+	O	O
TREASURY													
GRS — GENERAL REVENUE SHARING	✓	+	+	✓	+	✓	✓	+	✓	✓	✓	✓	✓
ARFA — ANTI-RECESSION FISCAL ASSISTANCE	✓	+	+	✓	+	✓	✓	+	+	✓	+	✓	✓

KEY

POSITIVE +
 MIXED ✓
 NEGATIVE —
 NOT RELEVANT O

URBAN POLICY REVIEW OF EXISTING PROGRAM PERFORMANCE

	FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBOR- HOOD	ECONOMIC DEVELOPMENT			FISCAL CONDITION		ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMI- NATION	JOB MOBILITY
					TAX BASE	JOB	RESTRUCTURE ECONOMY	IMMEDIATE RELIEF	REFORM				
DOL													
CETA II & VI PUBLIC SERVICE EMPLOYMENT	✓	+	+	✓	✓	✓	-	+	✓	✓	0	✓	✓
III & IV SPECIAL GROUP NEEDS & YOUTH	✓	✓	✓	✓	0	✓	-	✓	✓	0	0	✓	✓
TITLE I	✓	+	✓	✓	✓	✓	-	✓	✓	✓	0	✓	✓

KEY

POSITIVE +

MIXED ✓

NEGATIVE -

NOT RELEVANT 0

**URBAN POLICY REVIEW OF EXISTING
PROGRAM RECOMMENDATIONS**

SUMMARY OF URPG EXISTING PROGRAM RECOMMENDATIONS BY AGENCY

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

- LEVERAGING OF PUBLIC/PRIVATE FUNDS FOR NEIGHBORHOOD REVITALIZATION THRU NEIGHBORHOOD SERVICES PROGRAM
- CHANGE GUIDELINES TO EXPAND USE OF 312 FOR MULTI-FAMILY
- USE OF TARGETED TANDEM IN THE INNER CITY
- CONSOLIDATE HOUSING ASSISTANCE & C. D. PLANS
- SECURE JOINT EDA/HUD ON REVIEW OF UDAG APPLICATION PROFILES FOR JOINT FUNDING
- ADD TO OMB A-95 REVIEW & COMMENT SYSTEM A SET OF URBAN IMPACT INDICATORS & RELATED HUD REVIEW PROCEDURES

ECONOMIC DEVELOPMENT ADMINISTRATION

- TARGET KEY PROGRAMS TO CITIES (e.g. TITLES I & II)
- TOUGHEN & ENFORCE PROJECT SELECTION CRITERIA REQUIRING BENEFITS TO LONG TERM UNEMPLOYED
- INITIATE STRATEGIES FOR FLEXIBLE STATE USE OF FUNDS RATHER THAN PROJECT BY PROJECT APPROVAL

ENVIRONMENTAL PROTECTION ADMINISTRATION

- TIE 208 PLANNING TO 201 WASTE WATER FACILITIES CONSTRUCTION PROGRAM
- REVISE WASTE WATER TREATMENT CRITERIA IN ORDER TO REDUCE SPRAWL (e.g. EXCESS DESIGN CAPACITY)
- ESTABLISH EMISSION REDUCTION PROGRAM WHICH ALLOWS ROOM FOR FUTURE GROWTH IF AIR POLLUTION REQUIREMENTS

DEPARTMENT OF TRANSPORTATION

- REQUIRE GOVERNORS & LOCAL OFFICIALS TO DESIGNATE A RECIPIENT FOR URBAN HIGHWAY FUNDS IN URBAN AREAS OVER 1.0 MILLION (REQUIRES LEGISLATION)
- CONSOLIDATE FHWA/WMTA PLANNING FUNDS (REQUIRES LEGISLATION)

SMALL BUSINESS ADMINISTRATION

- ESTABLISH UNIFORM RISK DEFINITIONS & ASSESSMENT POLICIES (SECTION 7a)

DEPARTMENT OF LABOR

- INCREASE TARGETING & REDUCE SUBSTITUTABILITY OF KEY CETA TITLES

DEPARTMENT OF TREASURY

- TARGET ARFA TO ELIMINATE OPERATING EXPENDITURE RESTRICTIONS
- COMPLETE BASIC EVALUATION OF GENERAL REVENUE SHARING PROGRAM & IMPACT

DEPARTMENT OF HEALTH, EDUCATION & WELFARE

- PROVIDE CITY HALL WITH CASH THROUGH PLANNING & SOCIAL SERVICES FUNDS - TITLE XX
- PROVIDE INCENTIVES TO STATES TO PARTICIPATE IN ESEA PROGRAMS TO A GREATER EXTENT

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

[illegible]

PROGRAM RECOMMENDATIONS

[illegible]

PROGRAM RECOMMENDATIONS

BASE PROGRAM RECOMMENDATIONS	PRIMARY POLICY	URBAN POLICIES									
		FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBORHOOD	ECONOMIC DEVELOPMENT	FISCAL CONDITIONS	ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMINATION	JOB MOBILITY
SBA — SMALL BUSINESS LOAN PROGRAM 7(a)											
• STREAMLINE LOAN PROCESSING PROCEDURES; ESTABLISHMENT OF RESPONSE DEADLINES	5					✓	✓				
• ESTABLISH UNIFORM RISK DEFINITIONS & ASSESSMENTS POLICIES FOR SBA FIELD OFFICES	5	✓									
• EVALUATE POSSIBILITY OF ALLOWING APPROVED PRIVATE LENDERS TO APPROVE LOAN GUARANTEE REQUESTS UP TO PRE-SET AMOUNT, SIZE, TERM	5					✓	✓				
• NEGOTIATE WITH BANKS IN ORDER TO GIVE GREATER DISCRETION IN HANDLING LOAN PROBLEMS BEFORE REQUIRING FORECLOSURE	5					✓	✓				
• INCREASED TRAINING OF SBA REGIONAL & FIELD STAFF CONCERNING URBAN PRIORITIES	5	✓									
SBA — SBIC'S & MESBIC'S											
• RESTRUCTURE SBIC'S & MESBIC'S TO ENCOURAGE PRIVATE RISK IN HIGH RISK AREAS	5				✓					✓	
• REVIEW DIRECT CONTRIBUTIONS FOR PROFESSIONAL & ADMINISTRATIVE COSTS OF SBIC'S & MESBIC'S	10					✓	✓			✓	✓
• EVALUATE WAYS TO ENCOURAGE CITIES TO CHARTER, ASSIST, & SUPPORT SBIC'S & MESBIC'S	10			✓		✓	✓			✓	✓
SBA — LDC											
• PROVIDE SBA TECHNICAL ASSISTANCE TO LDC'S	4			✓		✓	✓				✓
• INCREASE SBA STAFF UNDERSTANDING OF ROLE OF LDC'S (TECHNICAL ASSISTANCE)	4			✓		✓	✓				✓
• STREAMLINE APPLICATION PROCEDURES TO ELIMINATE UNNECESSARY DELAYS	4			✓		✓	✓				✓
• EXAMINE WAYS TO GIVE GREATER LOAN APPROVAL & DEFAULT PREVENTION TO LDC'S & LOCAL FINANCIAL INSTITUTIONS	4			✓		✓	✓				✓
• HELP EQUIP AND TRAIN NON SBA PEOPLE TO ASSIST IN FINANCIAL PACKAGING	4			✓		✓	✓				✓
• SEEK A LONGER TERM ALTERNATIVE SOURCE OF FINANCING FOR LDC'S						✓					

PROGRAM RECOMMENDATIONS

[illegible]

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

[illegible]

PROGRAM RECOMMENDATIONS

[illegible]

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

[illegible]

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

BASE PROGRAM RECOMMENDATIONS	PRIMARY POLICY	URBAN POLICIES									
		FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBORHOOD	ECONOMIC DEVELOPMENT	FISCAL CONDITIONS	ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMINATION	JOB MOBILITY
EDA — TITLES I & II — PUBLIC WKS.											
• TARGET PROGRAMS — CITIES IN DISTRESS	5			✓			✓		✓	✓	✓
• TIE PROGRAM TO SPECIFIC CITY PLANS	5	✓		✓			✓				✓
• DEVELOP STRONG MONITORING SYSTEM & EARLY FEEDBACK	5	✓									
• PROVIDE SPECIFIC LINKS TO OTHER AGENCIES ECONOMIC & COMMUNITY DEVELOPMENT PROGRAMS	5	✓									
EDA — TITLE IX — SPECIAL ADJUSTMENT ASSIST.											
• TARGET PROGRAMS — CITIES IN DISTRESS (FULL USE OF NEW AMENDMENT)	5			✓			✓		✓	✓	✓
• REVISE GUIDELINES TO DESIGNATE COMMUNITIES OF 25,000 TO 250,000 FOR ASSISTANCE				✓			✓		✓		✓
• TIE PROGRAM TO COMMUNITY PLANS & STRATEGIES	5	✓		✓			✓		✓		✓
• JOINT USE OF VARIOUS PROGRAMS IN EDA; RELY INCREASINGLY ON LOCAL PLANS	5	✓		✓							
EDA — TITLE II — BUSINESS DEVELOPMENT LOANS											
• TOUGHEN OEDP GUIDELINES	5			✓			✓			✓	✓
• TARGET PROGRAM ON CITIES IN DISTRESS	5			✓			✓		✓	✓	✓
• STREAMLINE/DECENTRALIZE ADMINISTRATION	5	✓		✓							
• TIGHTEN & ENFORCE PROJECT SELECTION CRITERIA (BENEFITS TO LONG TERM UNEMPLOYED)	5	✓			✓						
• ARRANGEMENTS WITH OTHER AGENCIES CONCERNING JOINT USE OF FUNDS; JOINT STRATEGIES	5	✓		✓							
• COORDINATE BUSINESS & INFRASTRUCTURE PROGRAMS AROUND LOCALLY PREPARED PLANS	5	✓		✓			✓				✓
EDA — 304 — TITLE III — SUPPLEMENTAL ASSIST.											
• PERMIT STATES FLEXIBLE USE OF FUNDS RATHER THEN PROJECT BY PROJECT	5		✓								
• SHIFT RESOURCES TO BETTER SUPPORT LOCAL CAPACITY BUILDING	5			✓							
• COORDINATE 304 ASSISTANCE WITH LOCAL ECONOMIC DEVELOPMENT AID THROUGH STATE & LOCAL PLANS	5		✓	✓							
• EVALUATE USE OF EDA INCENTIVE TO INCREASE STATE PLAN & ECONOMIC DEVELOPMENT INCENTIVES	5		✓								
• REQUIRE WORK PROGRAMS FOR EXPENDITURE OF INVESTMENT DOLLARS	5			✓							
• DEVELOP FORMAL AND INFORMAL LINKS WITH OTHER AGENCIES (PLANNING & DEVELOPMENT)	5	✓		✓							

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

BASE PROGRAM RECOMMENDATIONS	PRIMARY POLICY	URBAN POLICIES									
		FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBORHOOD	ECONOMIC DEVELOPMENT	FISCAL CONDITIONS	ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMINATION	JOB MOBILITY
HUD — HOUSING ASSISTANCE OF LOW & MODERATE INCOME HOUSEHOLDS	7					-					
• PROVIDE SPECIAL HOUSING ALLOCATION ASSISTANCE TO LOCAL GOVERNMENTS TO ENCOURAGE CREATIVE APPROACHES TO REVITALIZING NEIGHBORHOODS	7			✓	✓						
• COMBINE HOUSING RESOURCES WITH COMMUNITY DEVELOPMENT RESOURCES	7	✓									
• STRONGLY ENCOURAGE AREAWIDE HOUSING OPPORTUNITY PLANS THROUGH SPECIAL AWARD OF SECTION 8 & CDBG FUNDS	10	✓		✓						✓	
• SET ASIDE 5% OF SECTION 8 FUNDS FOR HOUSING FOR HANDICAP	7				✓					✓	
• REQUIRE OWNERS OF BUILDINGS, ELIGIBLE FOR SECTION 8 ASSISTANCE, TO UNDERTAKE SOME BUILDING MODERNIZATION	7				✓						
HUD — SECTION 235 & TARGETED TANDEM											
• SPECIFIC TARGETING & REDUCTION IN INTEREST RATES	7								✓	✓	✓
• INITIATE TARGETED TANDEM	7				✓				✓	✓	
• GNMA MARKET SUPPORT	7				✓				✓	✓	
HUD — DIRECT LOANS FOR ELDERLY 202											
• SIMPLIFIED DEVELOPMENT PROCESS; SIMPLIFIED HANDBOOK	7	✓		✓	✓						
• TECHNICAL ASSISTANCE TO MINORITY DEVELOPERS	7			✓	✓					✓	
• TARGET TO HANDICAP; SMALL GROUP HOMERS	7			✓	✓					✓	

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

[illegible]

PROGRAM RECOMMENDATIONS

BASE PROGRAM RECOMMENDATIONS	PRIMARY POLICY	URBAN POLICIES									
		FEDERAL COORDINATION IMPACT	INCENTIVE TO STATES	ROLE OF CITY HALL	ROLE OF NEIGHBORHOOD	ECONOMIC DEVELOPMENT	FISCAL CONDITIONS	ATTRACTIVE LIVABLE COMMUNITIES HOUSING	SPRAWL EFFICIENT LAND SETTLEMENT PATTERNS	RACISM DISCRIMINATION	JOB MOBILITY
HUD — URBAN DEVELOPMENT ACTION GRANT (UDAG)											
• EDA REVIEW OF APPLICATION PROFILES BY JOINT FUNDING	5	✓		✓			✓	✓			
• STREAMLINE FOR STANDARD PROGRAM REQ.	5	✓		✓			✓	✓			
• JOINT PLANNING REQUIREMENTS WITH EDA	5	✓		✓			✓	✓			
• JOINT TRAINING WITH EDA	5	✓		✓			✓	✓			
• JOINT SBA, HUD, EDA TECHNICAL & PACKAGING ASSISTANCE	5	✓		✓			✓	✓			
HUD — COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)											
• CONSOLIDATE HOUSING ASSISTANCE PLAN & COMMUNITY DEVELOPMENT PLAN	7	✓		✓		✓	✓			✓	
• CD & HAP'S EFFECTIVE FOR 3 YEAR PERIOD	7	✓		✓		✓	✓			✓	
• STRONGER CITIZEN PARTICIPATION REQ.	7				✓					✓	
• FOSTER SPATIAL DECONCENTRATION OF LOWER INCOME MINORITIES	7				✓	✓	✓			✓	✓
• ADOPT NEW RULES EXPANDING ECONOMIC DEVELOPMENT ACTIVITIES OF PROFIT AND NEIGHBORHOOD ORGANIZATIONS	4					✓	✓	✓			
• INVOLVE BUSINESS SECTOR IN PLANNING PROCESS	7			✓		✓	✓	✓			✓
HUD — REHAB. LOAN PROGRAM (312)											
• CLARIFY AND AMEND PROGRAM POLICIES TO ENCOURAGE EXPANDED USE OF MULTI. FAMILY	7				✓				✓		
• PERMIT DEVIATION FROM CODES	7				✓						
• IMPROVE TARGETING	7				✓					✓	
• EARMARK TO INCREASE CITY CAPACITY	7			✓							
• ISSUE NEW GUIDELINES INCREASING LOCAL DISCRETION	7			✓							

URBAN POLICY REVIEW OF EXISTING PROGRAM RECOMMENDATIONS

[illegible]

PROGRAM RECOMMENDATIONS

[illegible]